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25/88

PARIS, WEDNESDAY, JUNE 22, 1988

A 'Party'

Non-Communist

Peoples Front

Backs Reforms

munist Party.

for Estonia.

By Bill Keller

New York Times Service

changes in the law and to promote

creation of similar fronts that

would serve as a pro-Gorbachev lobby against the entrenched Com-

Communist Party leaders may

also hope that they can use such

fronts to assert a degree of control

over nationalist sentiments that have presented a challenge to Mos-

cow in the Baltie republics, in Sovi-

et Central Asia, and recently in the

Caucasus Mountain republics of

Organizers of the Peoples Front

say they intend to maintain their

independence by banning Commu-

political and economic change.

published earlier this month in the

newspaper Sovetskava Estoniva.

said participation is open to any-one who supports Mr. Gotbachev's

The agenda of the Peoples Front, .ties.

munist Party apparatus.

Armenia and Azerbaijan.

What has happened in Estonia appears to be a trial run for the

ESTABLISHED 1887



Dutch Win 2-1 to Gain European Soccer Final

Eike Immel, West Germany's goalkeeper, stopped a shot by Marco van Basten of the Netherlands early in Tuesday's European soccer championship semifinal match. But the Dutch, with van Basten scoring in the final minute of the second half, won 2-1. In Saturday's finals, they will play the winner of Wednesday's match between the Soviet Union and Italy. Sports, Page 21.

ATA Seeks Military Airspace

By Warren Getler

LELONDON - Faced with growcongestion in air corridors over estern Europe, the International r Transport Association and civil intion authorities are urging that litary airspace be opened to mmercial carriers.

The Geneva-based association of Toesday that it was infinite ser cooperation between milis. Britain and Denmark already ve an integrated military and ciian air traffic control system.

As air travel in Europe has airged as a result of deregulation,

Klosk

Palestinians Clash in Beirut

BEIRUT (AP) - Guerrillas packing Yasser Arafat, chair-nan of the Palestine Liberain Committee on fought with the forces of Sayed Musa, their Syrian-backed Palestinian rivals Tuesday over control of Beirut's Chatilla and Burj al-· Brainch refugee camps.

Police said 12 people were sailed and 45 wounded. The asualties raised the known ioli since fighting crupted 12 Jays ago to 46 killed and 188 wounded.



The Italian Communists elected Achille Occhetto of "the party's left wing as their

General News

Haiti's new roler has nothing to fear from the United States, American officials say. Page 3.

/Arts/Leisure Mediterranean antiquities are

becoming fashionable in the auction market. Page 12.

Business/Finance Two investor groups at-

nounced a truce in their tug-of-war over Belgium's Société Page 13. Générale. Special Report Luxembourg's role as an off-shore financial center faces the

challenge of 1992, Pages 7-11. Dow Close In New York DM 1.7553 Pound 1.7895 Pound 1.7895 25.24 Yen 126.425 E.

delays and congestion have become ineters) - and flying at slower increasingly troublesome as con- speeds. trollers struggle to find slots on crowded flight paths.

The association's recommendations followed an emergency meet- said. ing last week in Paris on air-traffic

Civil Aviation Organization. The Paris meeting attended by y and civilian air traffic control- civilian and military air traffic representatives from 13 countries urged "states to reinforce civil-mili- Treaty Organization. tary cooperation" and explore flexible utilization of available air- ment.

Association said Tuesday that it space over West Germany, France expected a 7 percent increase in the number of commercial aircraft landings and departures this year in Western Europe, to 3.5 million from 3.3 million in 1987. The figures include flights in France, West Germany, Britain, Ireland, Bel-

gium, Luxembourg, the Netherlands, Portugal, Switzerland and His Campaign Fund Is More Than Double His Rival's The association said the volume would jump to 3.7 million next

year, 3.87 million in 1990 and more than four million in 1991. John Brindley, an association spokesman, said, "It is quite clear

that there are areas of the sky reserved for the military which are not being used half of the time." "If the military were to allow us

to use their underutilized airspace during quiet periods such as week-ends," he said, "the airlines would make corresponding adjustments to meet the military's needs."

Mr. Brindley said airlines were being forced to curtail operations because of overcrowded skies, leading to long delays on the ground.

"Flights to the United States from West Germany are having to be re-routed along the North Sea and across the top of Scotland," he said, "instead of taking their normal route across London and parts

Other problems for the airlines include flying at less-than-optimal cruising altitudes - above or below the normal 30,000 feet (9,100 percent to 39 percent.)

"We would like to see something done in fairly short order to alleviate the situation," Mr. Brindley

"As civilian airspace is handled management in Europe. The meet- on a national basis," he said "it will ing was held under the auspices of be up to national military air traffic the United Nations International control authorities to work more closely" with civilian air control systems. He said the association did not see it as an issue requiring

A NATO spokesman in Brussels ibilities for obtaining a more said he had no immediate com-

Mr. Brindley said the chief focus The International Air Traffic of concern was the military air-See AIR, Page 2

By Richard L. Berke

New York Times Service

Michael S. Dukakis enters the

nominating convention and gener-

al election phase of the campaign

with far more money to spend than

Vice President George Bush. As of June 1, the Dukakis cam-

paign had \$3.6 million to spend

through the Democratic conven-

tion that opens July 18, according

to campaign finance reports made available by officials Monday. By

contrast, the Bush campaign re-

ported that it had \$1.7 million to

spend through its convention.

Massachusetts governor a signifi-cant political advantage over Mr.

Bush, according to Republican and

kakis will have more money for

campaigning and the convention.

[Mr. Dukakis also continued to

lead Mr. Bush in the latest Wash-

ington Post poll. The poll gave Mr.

Dukakis a lead among voters of 51

This financial edge gives the

which opens a month later.

WASHINGTON - Governor

program of perestroika, or reducing rigidity in the Soviet system, and See ESTONIA, Page 2

liam R. Sweeney Jr., a Democratic

consultant, concluded that Mr.

Bush "spent his nominating cam-

paign funds early in the process without a contingency or reserve,

which leaves him virtually bank-

rupt for the weeks prior to the Re-

Mr. Sweeney's report added that

the Bush campaign showed "mis-management of a budget."

The campaigns are allowed to spend up to \$23 million through the

conventions, plus \$4.6 million for

fund raising and accounting costs. After their nominations, each can-

didate receives \$46.1 million in fed-

The federal government will spend

\$9.2 million in each nominating

campaigns pay for their staffs.

lodging, transportation and other

Bush campaign has taken numer-

Because of limited funds, the

costs at the conventions.

eral funds for the general election

publican convention."

Democratic consultants. Mr. Du- convention in overall costs. But the

They're Banking on Dukakis



at the summit session on Tuesday in Toronto. Beyond them, from Organizers say they plan to pominate candidates for local and left, Sir Geoffrey Howe, Margaret Thatcher and Nigel Lawson. national elections, to lobby for

By Michael Richardson

International Herald Tribune

States has begun detailed studies

on relocation of military bases in

the Philippines because of concern that Manila is attaching unaccept-

able conditions to their future use.

Under plans being drawn up by

the U.S. Pacific Command in Ha-.

and intelligence-gathering activi-

Robert A. Mosbacher Sr., the

Bush campaign's finance chairman,

defended the campaign's budget-ary practices, and maintained that

the campaign had not been forced

to make unanticipated budget cuts.

several days ago and reassured

him: "Do not worry. You've got

plenty of travel money. There's

nothing about the Bush budget that

From Washington, David S.

Broder and Richard Morin of The

Despite a slight improvement in

the public's optimism about the

economy and the trend of affairs,

Vice President Bush continues to

trail Mr. Dukakis in the latest

A survey completed Sunday shows Mr. Dukakis leads Mr. Bush

I see that's out of kilter."

Bush Trails in Poll

Washington Post reported:

Washington Post poll.

He said he phoned Mr. Bush

U.S. officials say.

nist Party and government officials waii, the functions of the bases in from holding leadership positions. the Philippines would be dispersed Most of the from's key leaders are to other parts of Asia and the West-

Communist Party members who ern Pacific. The functions include

are considered strong advocates of naval, air, communication, logistic

In a study of the campaigns' fi-paign swings into California was nances made public last week, Wil-cut from four days to two.

ous austerity measures. For exam-ple, one of the vice president's cam-new poll shows almost no shift

SINGAPORE - The United

U.S. Weighs Plans to Relocate

scattering the facilities will be the

way the problem is handled," said

Nordin Sopiec, director general of

the Institute of Strategic and Inter-

United States could redeploy its

ippines to other parts of East Asia

and the Western Pacific without a

major loss of military effectiveness

Council on Foreign Relations, said

or prohibitive costs.

Although disclosure of the con-tingency planning is clearly intend-transferred to Japan, South Korea,

ed to persuade Manila to lower its Australia, Guam and Micronesia.

demands, analysts in the region say A longstanding agreement that they believe that Washington is has allowed the United States to

that U.S. forces may have to leave will expire in 1991. U.S. and Philip-

facing up to the possibility maintain bases in the Philippines

forces and installations in the Phil-

A study recently published in

national Studies in Malaysia.

the Philippines in the text few pine panels reviewing the agree-years. pine panels reviewing the agree-ment resumed discussions Tuesday

Washington concluded that the military presence in the Philip-

"If the worst comes to the worst, in Manila.

Its Bases in the Philippines

Canada Summit **Renews Call for** A Stable Dollar By Reginald Dale TORONTO - The major industrialized nations concluded on counterproductive by dumaging Tuesday their annual economie growth prospects in the world

Tuesday their annual economie meeting with a commitment in hold the dollar in roughly its current level and with an opti-

economy.

But in tacit recognition of the still-fragile state of financial markets, the seven countries added a warning against complacency and said that further cooperative efforts were needed to sustain noninflamove, conference officials said.

At the end of three days of un-usually harmonious discussions, the seven also agreed to a compromise formula glossing over their differences on agriculture, which was the most divisive issue on the

In their final communique, the United States, Japan, West Germany, France, Britain, Italy and Canada repeated a call for currency stability that was first issued in a bid to halt the dollar's slide last

The communique said: "Either excessive fluctuation of exchange rates, a further decline of the dol-

George P. Shultz, the U.S. secre-

tary of state, told a congressional

committee in Washington last week

that the United States was "having

an argument" with Manila on

terms for a continued American

as much as \$2.3 billion a year for

would bar nuclear-armed ships and

If a friendly country banned

aircraft from the Philippines.

extent that becomes destabilizing to the adjustment process could be

The wording allows slightly greater latitude for the dollar to rise than to fall, although the precise upper limits for the currency have not been spelled out, according to officials in Toronto. With the dollar now rising,

move, conference officials said. But they pointed out that the dollar had now risen by 12 to 13 percent against the Deutsche mark since Jan. 1, and said that if it rose

much further the seven countries might have to "concert their posi-The expectation is that any such move would be called by Germany

or Japan. The officials said that so far, however, neither country has indicated that the dollar's rise was excessive The repetition of last Decem-

ber's wording was a deliberate signal to the markets that the seven were determined to maintain exchange rates at approximately cur-rent levels, the officials said,

For that reason, the seven countries had rejected an earlier draft suggesting that only large changes in exchange rates were undesirable and small fluctuations could be tol-

The United States failed in a renewed effort to persuade the European Community in agree to work towards the complete elimination of farm subsidies, as President Ronald Reagan has proposed.

The EC delegation adamantly resisted U.S. attempts to secure such a commitment from the summit nations, arguing that it was an "illusion" to suppose that subsidies could be totally abolished.

In response to U.S. pressure however, the EC agreed to tackle He rejected "staggering" de-mands by some Filipino politicians that the United States should pay the problem with greater political preency in the Uruguay tound of international trade negotiations in the months ahead.

the bases, compared to a commit-The United States also won ment of \$180 million a year under a commodity price index to the list Mr. Shultz also described as unof indicators used by the seven acceptable a bill, approved by the countries to analyze international Philippine Scnate on June 6, that economic trends.

The summit meeting members also made what officials described as "excellent progress" in narrowships that might be carrying trucke- ing their differences on debt relief ar weapons, he said, "then we have for the poorest developing counto part company" because the tries, one of the meeting's prime

See SUMMIT, Page 2

See BASES, Page 2

Shrinking Middle Class Climbs a Notch in U.S.

By Spencer Rich Washington Post Service
WASHINGTON — America's

middle class has been shrinking since 1969, but mainly because more families have moved into the upper class, according to an economic study by the government's most of those jumping into the up-Burean of Labor Statistics.
The anthors, Michael W. Horri-

gan and Steven E. Haugen, said the widespread view that the middle shriveling "is correct. However, unlike some studies, this one finds that most of the decline in the pro-AP portion of families in the middle has gone to the upper class, not the

For years, economists have been arguing about whether the middle class, the rock upon which American social institutions are built, has Mr. Bush than about Mr. Dukakis, been shrinking, remaining constant whose supporters acknowledge a or growing — and, if shrinking, significant lack of information on whether more families are falling

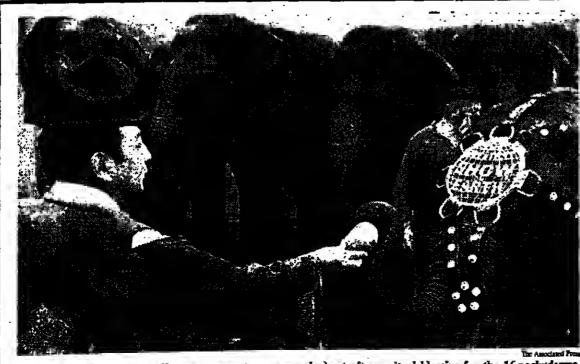
In an article in the Labor Department's Monthly Labor Review, Mr. Horrigan and Mr. Haugen used several methods of analysis and concluded that the proportion of families in the middle class is smaller today than in 1969, with per class.

One method of analysis was based on the assumption that middle-class families were those whose income from all sources in 1986 was between \$20,000 and \$55,999, measured in 1986 dollars.

Based on this method and using the CPI-U-X1 price index, a special formula used for research, the study found that the middle class declined from 58.8 percent of families in 1969 in 53 percent in 1986.

The lower class also declined over the same period, from 33.7 percent in 31.7 percent, the authors found, but they said certain addi-

See CLASS, Page 2



In Tokyo, a Shinto priest offers an orange to a young elephant after a ritual blessing for the 16 pachyderms.

The Greatest Smell on Earth

Michael S. Dukakis

from the 53-to-40 percent lead Mr.

The survey indicated that voters

feel they know much more about

Dukakis enjoyed in late May.

By Margaret Shapiro

Washington Post Service
TOKYO — The greatest show oo earth, Ringling Brothers and Barnum & Bailey Circus, is coming to town, and the fastidious Japanese are more than a little anxious about the odors that might accompany it. .

But not to worry. An enterprising Japanese chemical company has been working overtime trying to develop a new biotechnology that will minimize the smells of what those animals produce 30 cubic yards of daily. And Ringling is bringing its own eucalyptus oil, as an extra stink-eradicator.

Drawn by the lure of Japan's high yen, Ringling Bros. is making its first foray outside of the Americas since playing Shanghai once in the mid-1930s. In recent months the same attraction has drawn a number of other American institutions, including the Metropolitan Opera, the world heavyweight boxing championship and Mi-

"Japan is a market that I view the same as America," said the Ringling producer, Kenneth Feld. There are 122 million people. They are extremely wealthy and they are now cutting back to a five-day work week. So leisure is going to do well." But, as others have discovered, the Japanese have their own ways of doing things.

For instance, when the elephants arrived from the United States by boat last week, a Shinto priest in full regalia was on hand to greet them, intoning blessings as they were unloaded. "It was real weird," said one circus mem-

Although no circus the size of Ringling Bros. has ever toured Japan, the Japanese have regulations to cover the simation, much as they have rules for almost everything. The circus had to abandon its idea of traveling in trucks after being told that Japanese laws would require it to stop every two hours to take the 16 elephants out for a

little stretch and some water. So it is traveling by ferry instead.

A parade through downtown, a highlight of circus visits to many locales, is still on hold after police panicked over the prospect of traffic congestion, pedestrian confusion and animal droppings on Tokyo's posh Ginza area.

Ringling officials, who began arriving earlier this month in preparation for the circus's July 1 opening, said the three-month run in Japan has posed logistical difficulties as well, which initially made them leery about bringing the circus to Japan.

Most significantly, the cost of putting the lavish three-ring event on in Japan is nearly prohibitive. The Japan Educational Corp., the circus's Japanese promoter, estimates it will cost \$49 million to put on this year's show. Several of Japan's yen-rich companies have agreed to pick up the price tag as

See CIRCUS, Page 2

Reagan and Takeshita Sign an Agreement on **Scientific Cooperation**

By John Burgess

TORONTO - President Ronald Reagan and Prime Minister Noboru Takeshita of Japan signed on Monday a long-delayed agreement on scientific cooperation, coloning another troubled area in U.S.-Japan relations.

The signing ceremony came only hours after U.S. and Japanese negotiators settled a protracted dispute over trade in beef and citrus products and was new evidence of n smoother course in relations between the two economic superpow-

Mr. Reagan noted that the two countries had a long history of sci-entific cooperation. "When we look to the future," be said, "it is clear that science and technology will grow even more important to our mutual well-being.

Mr. Takeshita pointed ont that research conducted under the agreement is meant to be generally available. "It is open to be shared by all the world," he said.

In recent years, Japan has achieved leadership in many technical fields pioneered by U.S. researchers, giving rise to complaints by Americans that the United States is giving away technology on a grand scale and getting very bttle from it in return.

Japan denies there is an imbalance in intergovernmental re-search, the area addressed by Monday's accord, but contends that the United States could train people better to participate in Japanese research and put to better use the expertise of those Americans who do work and study in Japan.

The accord, which replaces a simpler one signed in 1980 when U.S.-Japan competition in technology was at a less-feverish pitch, will apply to joint government work in such fields as superconductivity, manufacturing technology, life sciences, and information systems.

lts main points include: Access by Japanese and American scientists to each other's pub-

licly funded research projects.

The United States contends that while government-funded research in the United States is done predominantly in open universities, in Japan it tends to go on behind This will open those doors, it says, without discrimination,

• Public dissemination of the research as a guiding principle of the accord, but specification of those circumstances in which property rights would exist for discoveries made in joint research programs and of who would hold those rights. Strengthening the protec-tion of U.S. "intellectual property" such as computer-chip designs and scientific formulas has been a major abjective of the Reagan admin-

 Nn disclosure to other parties of any discoveries that have military applications. For all nther findings, however, it provides for

The agreement is aimed at civilian research and notes that no classified military information will he used in conducting the research, a point sought by the Japanese. Paci-fist sentiments run deep in Japan, and any hint of new military coop-eration with the United States generates controversy.
U.S. officials at the summit

meeting also welcomed the agree-ment on beef and citrus products negotiated in Tokyo. It provides for Japan to end import quotas on those commodities by 1991, al-though it will be able to maintain high tariffs on them in the fullowing years. President Ronald Reagan, in a statement read in Toronto by the White House spokesman, Marlin Fitzwater, called the accord 'most welcome."

We made tough choices in order to open these markets," the statement said, "This important achievement strengthens the U.S.-Japan relationship and demonstrates our mutual commitment to

an open trading system."

Meanwhile Canada, another major beef exporter, cautiously wel-comed the pact, saying its terms needed to be studied. Canada sees Japan "as an important potential market for Canadian exports," a senior Canadian official said.

The European Community also external relations, said: "Whenever the U.S. and Japan make an agreement we are always very cautious, because there is always a chance of selective nondiscrimination."

Japan has said the agreement closed doors at private companies. will apply to all trading partners



AT STONEHENGE, THE LONGEST DAY -- As modern-day Druids marked the midsummer solstice at sunrise Tuesday at Stonehenge, a few hangers-on eluded the police to climb atop the Heel Stone to watch the rite. About 70 persons were arrested after violent clashes with police.

responded with caution. Willy de Clercq, the EC's commissioner for 4 Accused in Bofors Smuggling Case

STOCKHOLM — Four former signed directors of the scandal-ridden Bopress. fors AB, a Swedish nrdnance firm, were charged on Tuesday with smuggling millions of dollars worth of arms to blacklisted countries,

Folke Ljungwall, the prosecutor, said sufficient evidence had been gathered after a four-year investiation to bring smuggling charges.

their success in coordinating eco-nomic policies, the seven countries Ingvar Carlsson said, Bofors, a subsidiary of the Nobel

Industries AB industrial conglomerate, has been mired in smuggling

'Party' Formed

tive viewpoints."

(Continued from Page 1)

who disavows "Stalinist, conserva-

press reports and members of polit-

signed and leaked details to the customs inquiries.

anti-aircraft missiles, valued at about 100 million kronor (\$16.5 million), to customers in Dubai and Bahrain during 1979 and 1980. The four directors are Claes-Ul-

"It is good that a decision has at last been made to prosecute after a four-year inquiry," Prime Minister and Hans Ekblom, former export

Mr. Winberg was forced to re-right governments had lacked consign as chairman of the Swedish trol and were gullible in their con-

allegations since a technician re- ber 1985, because of police and The four are accused of using

Singapore, an approved recipient of Swedish weapons, as a middleman in the illegal exports to the Middle East, Mr. Ardbo and Mr. Winberg

have admitted that they exported weapons to Dubai and Bahrain, but deny that it was smuggling. They said they had the full support

A public inquiry concluded last ernment involvement. But it said both Social Democratic and center-

Riots Kill 6 In Burma **And Curfew** Is Ordered

Compiled by Our Staff From Disputches RANGOON, Burma - The government imposed a curfew on Tuesday in Rangoon after at least six persons were killed in street battles between thousands of protesters and riot policemen.

The government radio said that the restrictions would last until Aug. 19. The curfew runs fram 6 P.M. to 6 A.M.

Witnesses said thousands of students and other protesters battled police after authorities closed a Rangoon university where students had been staging peaceful anti-gov-ernment rallies.

Before the school was closed, students had vowed to demonstrate until the government accounted for hundreds of students detained following riots in March. The students also demanded democracy, economic reform and the right to establish a student union.

The government broadcast said that five policemen were killed and 26 nthers injured "as a result of an attack by an unruly mob armed with swords, sticks and catapults. A member of the mob also was killed and several others wound-

"Since these violent acts disrupt public tranquility and cause public disorder," it continued, "the Rangoon Division Peoples Council deemed it necessary to impose a curfew and ban public meetings and demonstrations within the Rangoon municipal area."

The broadcast said the protesters set fire to one police station and the family quarters of annther. They damaged government buildings and traffic lights, it said.

The government annnunced Monday that classes at Rangoon Arts and Science University, its affiliated colleges and the Institute of Economics were to be suspended after an upsurge of student protests against the 25-year-old rule of Ne

Another government radio broadcast on Tuesday announced the suspension of classes, effective Wednesday, at the Institute of Medicine and the Institute of Dental Science, where students have also staged peaceful anti-government rallies.

Throughout last week, students held protests and put up posters that demanded the legalization of student unions and the release of students who had been detained in the earlier protests.

Several days of student unrest at Rangoon universities ended on March 18 with anti-government riots that police and military units rapidly crushed. (AP, Reuters)

to look at a map to see the extent of traffie over these areas," he said. Rupert Scholz, the West German defense minister, is expected to

hold talks soon with the transport minister, Jürgen Warnke, on the issue of greater use of West German military airspace by civilian

safety before the summer travel rush. The Associated Press reported from Luxembourg.
Officials said Tuesday that the ministers agreed to set up a "red

Transport ministers of the 12-

nation European Economie Com-

munity have adopted emergency

don, Frankfurt, Paris, Rome and Madrid. In addition, a crisis center coor-

structed on Saipan and Tinian in est weekends of the summer is to be The ministers were told during

States by treaties. their meeting Monday that several But they noted that since these potentially serious air misbaps were narrowly averted in Britain (2,400 to 3,200 kilometers) farther Spain and Greece over the past few

The ministers also considered a would take U.S. forces longer to recommendation that called for linking the data banks in all of Europe's air control centers, harfellow at the Strategic and Defense monizing computers and radars Studies Center in Canberra, said: and opening more of Europe's mili-

CLASS: Thinner Middle

(Continued from page 1)

tional calculations suggested that

However, they said, the share of families in the upper class, defined as families with an annual income of \$56,000 or more, jumped from 7.5 percent to 15.3 percent. The authors said the figures indi-

cated that the lower class was getting a smaller share of national income than in the past. "The share of appregate income indicates a growing disparity between the lower class and the rest" of American families, the anthors said. They said this finding was con-

sistent with other studies that showed an increase in income inequality over the past two decades, The Census Bureau has reported

that in 1969, the one-fifth of all families at the bottom of the income ladder received 5.6 percent of all cash income, while the upper fifth received 40.6 percent. By 1986, the bottom group had

dropped to 4.6 percent and the top fifth had risen to 43.7 percent.

ESSENTIAL READING FOR EXECUTIVES WORKING IN THE INTERNATIONAL MARKETPLACE

WORLD BRIEFS

20,000 Yugoslavs Rally for Detainee

LIUBLIANA, Yugoslavia (Reuters) — More than 20,000 per
packed city streets on Tuesday to listen to rock bands and poetry tech
in a show of support for three Slovenians held by the army.

Meanwhile, in Maribor, more than 4,000 anto workers went on sec
Tuesday and protested low waters at a rolly after workers went on sec Tuesday and protested low wages at a rally after marching to the cip

Official youth leaders at the Ljubljana rally called for greater freedo. democracy and human rights and curbs on army power. Their speed were a sign of support for Ivan Jansa. a youth activist; David Tasic editor of Slovenia's official youth magazine Mladina, and Ivan Borsa an army sergeant-major. They were detained on suspicion of leaf

Canadian Explosion Kills 6 Soldiers

CHILLIWACK, British Columbia (AP) — Six soldiers learning ensives handling were killed and three injured at a Canadian base at plastic explosives detonated prematurely.

The five men and a woman, all military engineering students, we preparing to blast a crater 5 yards (4.5 meters) deep on Monday of more than 60 pounds (27 kilograms) of plastic explosives detonate military authorities said. Base Chilliwack is about 60 miles (about 1 kilometers) east of Vancouver.

Three other second-year officer training cadets were injured in a blast, which occurred on the third day of a four-day maining session when the control of the replacement do not know at this time what was the cause of the explosion," said; administrator in the base, Lieutenant Culonel Graham Mehars, "I will he a matter for summary and formal investigations."

At Funeral, Shamir Vows to Fight ()

GIVAT ADA. Israel (Reuters) — Prime Minister Yitzhak Shar vowed nn Tuesday at the funeral of a murdered Israeli farmer that k would defeat their Arab foes if forced to fight to the end. Philice stood guard to maintain order at the state funeral of Ele Cohen, 30, who was stabbed and beaten to death on the Shekel Most collective farm, a few hundred meters from an Arab West Bank village southern Israel. The Israeli Army blamed the killing on Palestinians is the Israeli-occupied village. Mr. Cohen was the fourth Israeli killed in

six-month-old Palestinian uprising. Mr. Shamir told 1,000 mourners at the funeral: "He was murdered immoral people who symbolize all that is low and cruel in man I comes to the dilemma of them or us, our answer is clear, it is us."

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Mark and seed

Mujahidin Claims Iranian Casualties

BAGHDAD (Reuters) — The main Iranian opposition group, Main din Khalq, said on Tuesday its fighters killed or wounded 8,000 Iran troops when they seized the Iranian border town of Mehran on the confront in the Iran-Iraq war.

The Baghdad-based organization also said that 1,500 Iranians, incl.

ing more than 20 officers, were taken prisoner. The mujahidin's Nate Liberation Army attacked Mehran on Sunday in its biggest offen since it was formed twn years ago.

Iran accused Iraq of launching the attack and of using chem

weapons. Baghdad denied both claims.

25 Die in Sikh Bombings in Amrita AMRITSAR, India (Reuters) - Two bombs killed 25 people injured at least 60 in a crowded Hindu market street near the Go.

Temple, the holiest Sikh shrine, in the north Indian city of Amrita The police blamed the attack on Sikh militants fighting for an indeed dent homeland in the state of Punjab. Angry crowds gathered at the after the blasts, pelting police with stones, witnesses said. They sai

least six Sikhs were beaten up. The bombings were the latest in a series of recent Sikh separ attacks. On Monday night, six persons were killed and 15 wounded a bomb was thrown and shots were fired at a crowd leaving a ciner the small town of Pehowa in the neighboring state of Haryana.

Enclave Repeats Call to Join Armen

MOSCOW (Reusers) - The regional council of the Nagomo-R bakh Autonomous Region repeated on Tuesday its call for incorpor into the neighboring Armenian Republic as thousands demonstrate

The council voted to reaffirm its decision in February to call

AIR: Military Is Asked to Help Out

Asked to Help Out

Asked to Help Out

Archiving Ministry denied reports that the content of the Azerbaijani parliament rejected Nagomo-Karabei appeal. But the Armenian parliament voted to support it. On Tuering the Soviet Foreign Ministry denied reports that there had been dead. aircraft, a Defense Ministry renewed violence over the weekend between Azerbaijanis and Armer near the Armenian capital of Yerevan.

TRAVEL UPDATE

measures aimed at improving air Italy Refuses to Abide by EC Ruling

ROME (AP) — Italy has refused to comply with a European Connity Commission ruling in its airline deregulation dispute with The commission said on June 2 that the Irish carrier was entitk

pick up passengers at a stop in Manchester on its Dublin-Milan f under new EC airline rules that took effect this year. The decision Italy 15 days in which to comply but on Monday, Italy's Civil Avia Authority said it would ground any Aer Lingus planes carrying pagers to Manchester on flights between Milan and Dublin.

The Italian airline Alitalia canceled most of its flights for Wedney after pilots called a 24-hour strike. Greek air traffic controllers called off a four-hour work stop

planned for Tuesday after a judge ruled that the strike was illegal [4].

The French domestic airline Air Inter said 60 percent of its fill would operate normally Wednesday despite a two-day strike called unions representing pilots and flight engineers.

2 South Africa Soldier Captured by Botswana By William Claiborne against those who wish to com

Washington Past Service acts of terror against this count JOHANNESBURG — Botswa- He refused to comment on the

white South African Army commandos on Tuesday, hours after a shoot-out in which three Botswanan policemen were wounded.
Shortly afterward, a car bomb exouts of African National Cong ploded in Gaborone, the country's guerrillas. But this was the capital, according to the office of President Quett K.J. Masire.

Botswanan authorities said the people, mostly Botswanan nat South Africans in custody were als, have been killed in such 12 part of a commands unit sent by Pretoria to mount a raid in Gabo- sire's office condemned Mond

Corporal Theodore Hermanhen, those acts of terrorism by the 30, both of Johannesburg Authori- African government," the ties in Gaborone said they were ment said. being interrogated.

spokesman for the South African a routine patrol was fired upon Army command refused to confirm group of South Africans after deay the capture of the two 10.30 Monday night, five II

sponse to repeated questions, the Mr. Masire's statement said army said that a patrol, "which was two South African whites gathering information in Botswa- drove away from the shooting na," was involved in a shooting arrested later by Botswanan A incident with the Botswanan po- troops at a roadblock.

The army headquarters in Pretoria said that when Botswanan po-Gaborone suburb, damaging lice fired on the patrol, the South house of n local contractor but African soldiers were forced to sulting in no injuries. The st return their fire."

The army spokesman added that South Africa, although it did explicitly link it to the same ray

time they were captured.

A statement issued by Mr.

policemen were wounded, one

The president's office said the about 6 A.M. a car exploded ment blamed the bombing

SUMMIT: Agreement on Dollar

(Continued from page 1)

economic and political objectives. James A. Baker 3d, the U.S. Treasury secretary, said the communique "went farther on debt than any summit communique

that's ever been written." The communiqué said the seven leaders had reached a consensus on a list of options that could be chosen by creditor countries in rescheduling debts of the poorest na-Saharan Africa.

Official creditors could "choose among concessional interest rates on shorter maturities, longer repayment periods at commercial rates, partial write-offs of debt service nbligations during the consolidation period, or a combination of these options," the communique

Mr. Baker said the agreement represented "a rather significant change" in the U.S. position, in that Washington had only recently been prepared to consider stretching out debt maturities.

was still not clear that the United States was prepared to shoulder as much of the debt relief burden as other summit meeting countries. The communiqué said the Paris Club of Western creditor nations should work out precise details of

the operation, ensuring that all

EC officials, however, said that it

by the end of this year at the very emphasize that similar relief could populated country as Japan. JEC ant be expected by middle-income countries, such as the major Latin American debtors. For these countries, they said, "the market-oriented, growth-led strategy based on the case-by-case approach remains

the only viable approach." Turning to the so-called "structural reforms" that have been one of the summit meeting's major a country where cheap movie seats themes, the seven pledged to concost \$12, circus officials expect in themes, the seven pledged to continue "removing barriers, unneces- pack them in. sary controls and regulations" from their economies.

They said they would work to increase competition, "while mitigating adverse effects un social groups or regions," remove disincentives to work, save and invest, and improve education and train-

"Since we last met," the communiqué said, "our economies have kept up the momentum of growth. Employment has continued to expand, inflation has been restrained, and progress has been made toward the correction of major external imbalances.

"These encouraging developments are cause for optimism, but not for complacency. To sustain noninflationary growth will require a commitment to enhanced cooper-

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and confidence." said that "developments in the wake of the financial strains last

in France, starting on Bastille Day, have sprung up in many cities, but July 14, the 200th anniversary of the French revolution.

The Greatest

countries made comparable efforts, phants, 16 horses, eight ponies, 17 The seven nations took care to is not easy in such a small, densely finally commissioned a 7,000-seat tent. In fact, this will be the first

horsemeat they need must be im-

Though a "very American show" try and agriculture. He said the is planned, some changes will be front also supports making Estomade to suit Japanese tastes—and man the official language of the noses. Mr. Marioka said the ani- republic. mals will be washed a lnt, especially at the circus's first stop in Hokkai-

October demonstrate the effective-ness and resilience of the arrange-

get deficits and "large external im-

firm our determination to follow and, wherever feasible, strengthen our agreed strategy of coordinated

CIRCUS:

(Continued from page 1)

1956, nfficials said. Tickets will bear distinctly Japanese price tags: the equivalent of \$40 for the most expensive adult tickets and \$30 for children, more

problems. Hay for the elephants States because Japan does not produce it in large enough quantities. However, only small shipments can be brought in at one time because

ported from Australia.

Congratulating themselves on

ments that emerged." They added, bowever, that efforts must continue to reduce bud-

The communiqué said, "We reafefforts to reduce the growth of spending in countries with large Similar fronts are being orga-external deficits and to sustain the nized in Moscow, Leningrad, Kiev

those with large external surplus- of Lithuania, according to Soviet Next year's summit is to be held ical clubs. Unofficial pobical clubs

sponsors. Finding a place to hold a three-ring circus and house the elelions, three camels, two liamas, and an alleged unicorn, among others,

time for Ringling under a tent since

Feeding the animals has posed must be imported from the United the hay, if stored too long, will mildew in Japan's hot, muggy summer weather. The lions, on the other hand, eat only meat and the

Kazuhiko Morioka, head of JEC, said he has no doubt that all the logistical problems can be worked because the Peoples Front has emout and that the circus will be a hit braced popular Estonian causes. with the Japanese, who have never been exposed to a massive three-dorsed economic independence ring circus, its glitter and constant that would effectively sever Mos-

do, where it will be playing as part 163 Died in Swiss Alps in '87 of the Sapporo Food Festival.

Finally, to accommodate Japa-

nese eating habits, the circus will

supplement its usual fare of cotton

candy and buttered popcorn with

"obento," a Japanese-style box

lunch that features cold rice, fish,

pickled vegetables and seaweed.

ation. This is the key to credibility

momentum of domestic demand in and Yaroslavi and in the republic

none have yet succeeded. Last month, Tatiana L. Zaslavskaya, a sociologist who is regarded as an influential consultant to Mr. Gorbachev on economie and social problems, called for the creation of popular fronts as a counterforce to government and party bureaucrats. Estonia has often been in the

experimentation. The republic's 1.5 million people have the highest per capita income in the country and have embraced Mr. Gorbachev's calls for private enterprise and more freewheeling debate.

The republic's nationalistic feelings have been stirred by nostalgia for the period from 1918 to 1940,

forefront of economic and political

when Estonia was independent, and by resentment of Russian Repeated flare-ups of Estonian discontent are believed to have been one factor in the replacement last week of the longtime Estonian Communist Party leader, Karl G. Vaino. He was replaced by Vaino I.

Vyalyas, a diplomat who is said to have been Mr. Gorbachev's choice. The former party leader, whn is expected to take a jnb in Moscow supervising production of consum er goods, was not considered an active supporter of the Peoples Front. The strongest encouragement within the party, Estonian journalists said, came from Indrek

nist Party official in charge of idenlogy.

Andres Raid, a reporter for the Estonian television, said in a telephone interview on Monday that many party officials are nervous

K. Toome, the Estonian Commu-

Mr. Raid said the front has encow's control over Estonian indus-

Agence France-Presse

LAUSANNE, Switzerland -

insurance companies said bere in Hawaii.

Mr. Ljungwall said the men had been charged with smuggling more than 300 laser-controlled Robot 70

Employers' Federation in Novem- tacts with Bofors.

Rigas LATVIA LITHUANIÀ POLAND

(Continued from Page 1) spokesman said. and Northern Italy, "One only has ■ EC Acts on Air Safety

BASES: U.S. Studying Its Options alert" telephone link between Europe's five busiest airports: Lon-

United States has a worldwide policy of neither confirming nor de-nying the presence of nuclear arms The Philippine bases belp counter Soviet military power in the Far East and maintain a balance of forces in the area. The Philippine installations also support

(Continued from page 1)

U.S. forces operating around Japan and in Indian Ocean and the Gulf. Admiral Rouald J. Hays, the U.S. commander in chief in the Pacific, recently said that he had formed a team at his Hawaii headquarters to study alternatives to the

The result of that study group

Philippine bases

thus far," he said, "has been that it is not quite as difficult as we had anticipated prior to getting into some of the details."

In an interview to be published in the limit of the region with reduced combat loads, shorter times on station and with much lower sortie. in the July issue of Pacific Defense rates."

He said the Philippine bases and vessels at Guam would be two were not indispensable, as some days away. Filipinus believed. Nur would hington go to any extreme to retain access to the bases, he said.
He said there were alternatives to Canada Expels Clark Air Base and the Subic Bay naval complex, the two main bases used by the United States. These

alternatives, be added, "were not as

engaged in far too much American-

desirable by any means, but there are alternatives. Some officials of non-Communist governments in Southeast Asia are concerned that any relocation of U.S. bases from the Philippines will impair the ability of American forces to act in a crisis, thus undermining the credibility of U.S. military deterrence.

additional defense construction Stephen Ratkai, a 25-year-old Caand operating costs at a time when nadian who was found in posses-American military spending was sion of U.S. military secrets and being sharply cut back. They said that as a first step, ship spying Accidents to climbers or skiers in repair and maintenance carried out Eight other Soviet diplomats

Analysts in the region said relo-

cation would cost the United States bassy in Ottawa. Their reported ex-

at least several-billion dollars in pulsion was linked to the arrest of

The tactical fighter and trans- an intelligence officials.

port wings at Clark Air Base could be moved to Guam, the said.

Analysts said that additional na-val and air bases could be con-traffic during the four nr five busi-Analysts said that additional nathe Northern Marianas, and in Pa-established. lan, which are linked to the United

locations were 1,500 to 2,000 miles

from Southeast Asia and the South months. China Sea than the Philippines, it reach patrol areas, Ross Babbage, a senior research "Even with extensive aerial tanker tary airspace to civil aviation. support, land-based tactical air

Reporter magazine, Admiral Hays asserted that "the Filipinos have and other surface vessels would be an additional day's sailing from the heart of Southeast Asia, he said, the proportion in the lower class and vessels at Guam would be two was essentially unchanged.

8 Soviet Envoys

OTTAWA — Eight Soviet diplo-mats were expelled from Canada last week following the arrest in Newfoundland of a Canadian of Hungarian extraction who was accused of spying for Moscow, Radio Canada reported Tuesday. The report said six of the diplo-

mats were working at the Soviet

Consulate in Montreal while the

other two worked at the Soviet Em-

was charged on Wednesday with the Swiss Alps killed 163 people in at Subic Bay could be transferred posted in other Western countries 1987, 30 fewer than in 1986 and 63 to U.S. military facilities at Yoko- were reportedly also expelled as a fewer than in 1985, private Swiss suka in Japan and at Pearl Harbor result of the investigation into the Ratkai case conducted by Canadi-

INTERNATIONAL MANAGER BY SHERRY BUCHANAN, IN THE IHT EVERY THURSDAY. They identified the two men as Corporal Johannes Basson, 25, and Batswana. We once more They identified the two men as

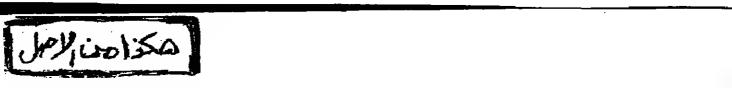
South Africans, or that comman- south of the capital. Three of dos had attacked Gaborone. However, two hours later, in re-

In the last three years, at leas

attack as "yet another South Botswanan authorities said Twelve hours after the clash a carrying six unarmed policeme

cally, authorities said.

act in the most effective way encountered last night.





WORLD BRIDGE.S. Officials Described on Yuguslav Rally logis Resigned to Namphy eizure of Haiti Power

By David Ottaway Washington Post Service

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BY WORL TIES.

Harring and the second

ASHINGTON — The Reagan inistration, stung by the failure a efforts to oust Panama's milistrongman, Manuel Antonio iega, has no plans to press in a lar manner for the removal of iar manner for the removal of one of the removal of one of the removal of the first than the second of the removal of the first than the second of the removal of the remov S. officials.

> bservers said there was a noable feeling of resignation ng U.S. officials about the pt end to just four months of y civilian rule in Haiti. There also a keen sense of the admintion's limited ability to do anyg now to promote democracy laiti, given the failure of the long diplomatic and economic long dipioniane and special Nor-

cont of power and limited leverage in the long of the had limited leverage in the long of the have even more limited leverage in the limited leverage verage in Haiti," an adminis-on official said. "We're back to re one -watch, wait and eval-

> the State Department spokes-tum, Phyllis Oakley, said Tues-that the United States would inne to work for a transition to ocratic rule in Haiti but gave ndication that the administrahas any specific steps in mind about how to press for that

new military government over moval of the elected president, inoval of the elected president, ie F. Manigat, and gave no hint is considering any economic or T sanctions to pressure General phy into a return to civilian

... he United States by November already cut off all aid but \$36 on in humanitarian assistance For its School Bolling in a bid to force General phy to hold free and fair elec-

> ... Ir. Manigat emerged as presi-with just 50.3 percent of the in elections held in January the United States said "do not al the fulfillment of a demoic transition."

-- is. Oakley also indicated the · · · ted States was ready to work the Namphy government, saythat there were "examples of ly governments around the the at the tile (... | 11 | 10 | 10 | 10) with whom we have relations

have dealings."

TOPICS

Why Civilians Fight

he Civil War Anew

ivil War battles began is open

dispute, the novelist Rita Mae

ines, but they took their clabo-ite present-day form with the

00th anniversary re-creation of the First Battle of Bull Run,

nown in the South as First Ma-

These days, recnactments are

nuval events at battlefields

inging from Gettysburg, Penn-/Ivania, to Vicksburg, Missis-

ppi. The civilian volunteers king part "may not be subject actual bullets, but like their

acestors they must push on

rough cloods of sulfurous

noke and risk being trampled y horses untrained as cavalry

counts and crazed by the noise,"

iscover that, even if they think

bey know where they are going,

You are practically blind, ex-msted, raked with thirst and,

en if the other side isn't trying

Just when recoactments of

assas, in 1961.

s dammed difficult when you m't see two yards in front of par face. A continued artillery

As sace, A continued artillery arrage envelopes people in lick blackness and the heat, estating dangerously, is suffocated.

comparisons between U.S. policy toward Panama and Haiti now, despite the similar problems the administration faces in the two countries. Both have a strong military ruler who refuses to yield power to civilian rule and widespread drug smuggling by high-level officers.

Asked why the United States was willing to take such strong action against General Noriega but un-willing to do the same against Gen-eral Namphy, Ms. Oakley replied, "I think it is extremely difficult to draw comparisons or analogies be-

Los Angeles Street Gangs Spread Drugs and Fear Far Afield By Robert Reinhold New York Times Service STOCKTON California - It is a

weekly ritual that yexes and confounds the residents and the authorities in this placid farming center, where the asparagus and tomato fields of the fertile San Joaquin Valley push almost into downtown. Every weekend, members of Los Angeles street gangs make the 337-mile (550-kilometer) journey up the freeway and set up shop in a motel room or local

From there they deal the concentrated cocaine derivative called crack to local buyers and, in some cases, death to those in their way. Like itinerant peddlers, they

Stockton, where there are fewer sources by got something to fight over," said De-of supply and where the demand is growing, if a local competitor emerges, the well-heeled visitors from Los Angeles will offer cut-rate "two-fers" or "doubleups," until the competition folds or joins

The recent spread of Los Angeles's armed street gangs, which control most of the retail drug trade in this region, to smaller cities and towns of the West is one of the more extraordinary aspects of the crack business. The police say they have set up branches in such California cities as Bakerstield, Fresno and Sacramento; in Reno, Nevada, and even as far away as Anchorage, Alaska.

travel to broaden a saturated market.

An ounce of crack that costs \$600 in as the gangs fight for market share. "The The result has been a dose of violence Los Angeles, can bring, broken into real violence has come only in the last smaller "rocks," \$2,200 to \$2,400 in year because of the rocaine—they final-

quin County sheriff's office.

Of 15 murders in Stockton this year, six have been gang-related, according to Dale A. Wagner, the police department's gang investigator. On March 20, a nearly blind 18-year-old youth, Edward Wayne Apartments, a two-story complex in this Riley, not a gang member, was shot to city of 185,000 people.

death because he could not see a gang

But two women in the complex, Ella advancing on a group of youths he was

While gangs are not nearly as strong in Stockton as in Los Angeles, there are about seven Los Angeles gangs with a footbold in the city. Most notable are the 5-Dence Hoover Crips, the North Side Gangsters, the South Mob and the 118th Street East Coast Crips.

They are drawn not only by the high price that cocaine fetches in Stockton but low-income complex has had two mur-

the police in Los Angeles. They operate openly in Stockton. Local members of the East Coast Crips, in their blue base-

ball caps, hang out under the oak trees along Marsh Street oear Filbert Street, intimidating residents of the Village East Jones and Meiva Doyle, are fighting

back. Ms. Jones, who is assistant manager, patrols the grounds with a builhorn.
"If they see me, they take off," she said. Her ally, Mrs. Doyle, scanned the courtyard and, referring to the Crips gang, said: "This is blue territory — I notice more of the younger kids wearing blue scarves. They come through with scarves in their back car windows." The

Mrs. Doyle, mother of two girls, has earned a measure of respect and enmity by confronting the gangs and calling the police. Two months ago, her car windows were shot out. They told my girls they were going to get me because I was a snitch," she said.

But the women are the exception. So intimidated are residents that it is difficult to find witnesses to gang-related crimes, according to Wally Kobayashi, an investigator for the district attorney's office, which is prosecuting 11 gang members charged in the death of the Riley youth.

The growing influence of the gangs, which are made op of blacks, on local black youth has stirred deep unease

Poll Showing Gains by Opposition

The poll, made public on Mon-

The survey was conducted from can television network Televisa.

The poll, involving interviews with 2,960 people, had a margin of sampling error of plus or minus 3 percentage points.

comfortable majorities elsewhere century. in the country, including two-thirds of the vote in the backward and impoverished states of the south, more than compensate for his weak showing to the capital.

So why do people do it? Be-

cause "no other war, not even the

Revolutionary War, has so fired the public imagination." Because

you'll learn more from one

staged battle than from an ava-

lanche of books." Because "for a

brief moment, one is ripped

away from the impersonal, over-regulated 1980s." And because "a battle in which you can't be killed is the best kind there is."

Chevrolet has one solution to the problem of losing car keys or inadvertently locking them in the car. Its Corsica and Beretta mod-

els come not only with the stan-

dard metal keys but an extra set

of plastic keys mounted in a

holder the size of a credit card

that fits easily into a wallet or

purse. The keys are unbreakable

and can be used several times

More and more parents are taking their small children with

them when they dine out, and

not only to fast-food restaurants.

According to a survey of 10,000

families taken for the National

Restaurant Association, the

number of children under 6 pa-

tronizing better restaurants rose

43 percent from 1982 to 1986, far

faster than the overall increase of

10 percent in that market. The

New York Times says many par-ents now have more disposable

income and less access to baby-sitters. 'It used to be the few kids

before wearing out.

Short Takes

Electoral polls have, until this year, been regarded in Mexico as of relatively little interest or importance, since the outcome of every

The ruling party has never lost a presidential or gubernatorial elec-tion since coming to power in 1929, but accusations that it has engaged but accusations that it has engaged in widespread electoral fraud to pad its totals have become increasingly common as the political opposition has come close to victory in several recent state and local

As recently as the 1976 presidential election, the ruling party candidate, José López Portillo, ran unopposed and won all the recorded 16.7 million votes cast. In 1982, Miguel de la Madrid received 71 percent of the total vote, compared to 16 percent for the National Ac-

In the Mexico City area, where one-quarter of Mexico's 83 million er, has evolved into a botly contestsupport of only 47 percent of the ed more public interest and debate electorate, the survey shows. But than any election in nearly half a

> led to a burst of polls conducted by oewspapers and television stations, universities, political parties and public opinion groups.

Salinas can possibly win is through failure to poll in the countryside large-scale electoral fraud carried and the tendency to project results out by the PRI, as the ruling party from Mexico City as being indicative of nationwide trends. "The majority of the polls have a

specific objective," Adrián Lajous, author of "The 1988 Electoral Dispute" and a prominent political commentator, said last week. "They start from the base that Salinas or Cárdenas or Clouthier is

Nevertheless, said Héctor Agui lar Camin, editor of Nexos, an influential political and intellectual monthly journal, the sudden fascination with opinion polls "reflects the political effervescence in the country and the growth of public opinion" in the political process. The desire to find out how the electorate really feels, he said, "is a new signal of concern with political legitimacy.'



Cuanhtemoc Cárdenas

GERALD GODFREY For-Eastern Art including Archeic Bronzes.

Han & Tang Dynasty Painted Pottery, Japane Screens & Haniwa June 6 - July 4

5 Officials Reassigned in Pentagon Inquiry

Secretary Frank C. Carlucci is reassigning five Pentagon officials who are under scrutiny in the Pentagon rive with the Naval Air Systems bribery investigation, sources said Command, and Jack Sherman, a

حكذاهن الرجل

The five were identified as James E. Gaines, a deputy assistant navy secretary, Victor D. Cohen, a depu-

Compiled by Our Staff From Dispatches

WASHINGTON — Defense
Correctary Frank C. Carlucci is reassening five Pentagon officials who

Washing From Dispatches

George Stone, a navy official in the materials from military contractors, consultants and Defense Defening five Pentagon officials who

Command; Stuart Berlin, an execu
The case focuses on the illegal Command, and Jack Sherman, a Marine Corps official who works in tion between Defense Department the equipment and service acquisi-

tion section. The affair came to light June 14,

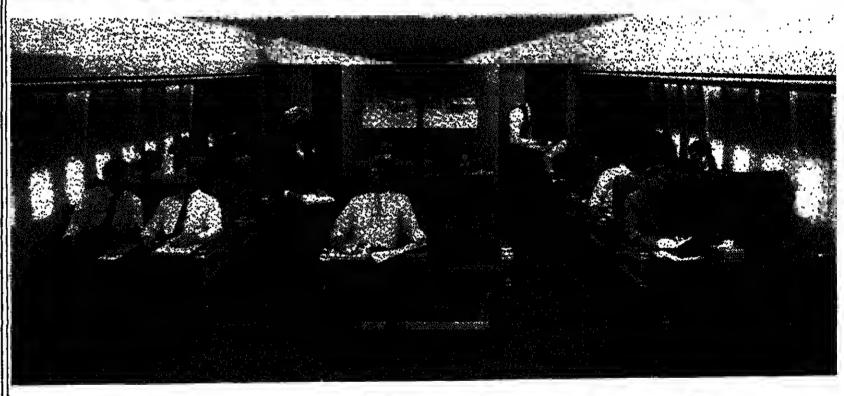
trafficking of confidential informapersonnel and officials of several

major defense contractors.



SANDEMAN FOUNDERS RESERVE PORT. No Longer Reserved For The English.

HAVEN'T YOU



PAN AM OFFERS THE ROOMIER, MORE COMFORTABLE BUSINESS CLASS.

DON'T YOU DESERVE MORE SPACE?

Of course you do. And that's just what you get in Pan Am's Clipper® Class across the Atlantic. We have six across seating, not eight like on some other airlines. And our seats are wider, giving you more room to spread out and work or to stretch out and relax. So you'll arrive at your destination rested and ready to do business.

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For reservations and information call your Travel Agent or Pan Am.



Enlivens Mexico Election Campaign By Larry Rohter New York Times Service final two weeks. Both Mr. Clouth-ier and Mr. Cardenas are on record methods used, the political affilias saying that the only way Mr. ations of those taking the poll, the MEXICO CITY - The most

thorough and nonpartisan survey of Mexican voters in the presidential campaign shows Carlos Salinas de Gortari of the Institutional Revohrtionary Party ahead of his two main rivals in the coming election, but with a smaller lead than any achieved by his party in modern

day, indicates that Mr. Salmas is favored by 56 percent of registered voters in the July 6 election, com-pared with 23 percent for Cuanhtemoc Cárdenas of the left-populist National Democratic Front and 19 percent for Manuel Clouthier of the right-of-center National Action

May 12 to June 1 by the Gallup Organization for ECO Inc., a Spanish-language television octwork and news service based in Los Angeles and affiliated with the Mexi-

The findings are certain to heat up the debate about the election

is known, and that such fraud is already well under way.

election was a foregone conclusion.

people live, Mr. Salinas has the ed three-man race that has prompt-The increased competition has

Most of those polls, however, nd about the function and reli- have been regarded as of dubious . I.S. officials were quick to reject ability of polls as the race enters its reliability. Questions have been

to actually kill you, the thought | you saw were loud," said Dan of killing them to get out of this | Kaspar, an Atlanta waiter. "Now are well behaved. You can tell

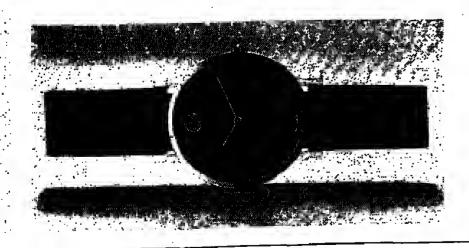
they are educated, used to going

Charlayne Hunter-Gault, who was one of the first two blacks to enroll at the University of Georgia in 1961, encountering the icers and snobs of white students, said in a commencement speech at her alma mater this month on the 25th anniversary of her graduation: "If I had to do it all over again, I might have hoped for less of a struggle. But even today, I would welcome the

In a letter to The Washington

Post, Louise Chesnut wrote that but for National Airport, in the heart of the metropolitan area, she and her husband, now retired, might well have started staying up to watch television and sleeping late. "The airport has saved us from such a selfindulgent and sloppy way of liv-ing," she wrote. "The airport is more efficient at waking us than even the most strident of alarm elocks, and it is not subject to electrical outages. We are roused regularly each morning at exactly 7:01, as the first planes streaming out of National pass overhead. The 7 o'clock flights are so numerous that we are not tempted to pull a pillow over our ears and try for a little more sleep, but arise promptly."

Arthur Highee



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A Corrupt System

style of former Defense Secretary Caspar Weinberger, others the hands-on style of former Navy Secretary John Lehman. But the blame surely transcends individuals.

The whole system of weapons buying, involving defense officials, contractors and legislators, has sometimes turned into a machine for bilking the public and robbing the nation of effective defenses. Yet the craft, languish on the drawing board. In-Reagan administration's appointees have taken a bad system and made it worse.

The unfolding scandal involves a network of consultants who trafficked in purioined documents to give companies an advantage in bidding for weapons contracts. The government's inquiries are at present centered on the navy, its contractors and consultants. In theory, contractors compete to build the best weapons most cheaply. Too often,

competition is buried by a system of negoti-ation and influence-peddling conducive to the kind of bribery oow being investigated. The armed services want the freedom to impose their desires on contractors regardless of cost, including frequent afterthoughts in weapons design; the contractors want freedom from competition. The mutual interest in avoiding market pressures is pre-served by way of the revolving door, the constant circulation of people between the Pentagon and its main contractors.

In the Pentagon weapons-buying scandal, some critics fault the hands-off management abuses; indeed, after each scandal it writes layer after layer of new regulations. But no congressman willingly allows any employer in his district to lose a military contract. Hence real competition, the one disinfectant that might cleanse the disease, is the one remedy that is never legislated.

In the grip of this iron triangle, weapons that ought to be built, like pilotless airstead, money goes into elaborate frigates that cannot detect mines, overweight bombers that canoot penetrate Soviet air defenses and overpriced anti-aircraft guns that cannot even down helicopters.

Mr. Weinberger stuffed money into this system yet paid little attention to what it bought or how it was spent. The lavishness of military spending during Mr. Reagan's years has invited corruption. By 1986, the Pentagon's inspector-general was investigating 300 charges of fraud involving 59 of the department's 100 largest contractors. Senator Charles Grassley of Iowa, who

has been briefed by prosecutors on the present scandal, says it "goes beyond our wildest imagination." In scope, that may well prove true. But in principle, given the way the system works and the record of Pentagon profligacy during the Reagan years, no one should be surprised.

-THE NEW YORK TIMES.

How to Help Haiti

After a brief time of hope that ended last November, Haiti has been sliding backward toward its traditional politics of plunder and violence. The commander of the army, Lieutenant General Henri Namphy, declares that his new military government will restore "discipline." Discipline is not an attribute that the Haitian army knows much about. Untrained, poorly equipped and predatory, it gives its loyalties to individual officers, many of whom are implicated in smuggling, petty racketeering and, in the case of the notorious Lieutenant Colonel Jean-Claude Paul, drug-running.

After the uprising that ended the Duvalier regime two years ago, the country went through a process of writing a genuinely democratic constitution. But when election day arrived last November, gunmen with soldiers behind them shot up a number of the polling stations, killing more than 30 people. The purpose was to defend certain lucrative practices unlikely to survive in a democracy. Subsequently the army held its own kind of election and installed a civilian. Leslie Manigat, as president. The nature of the deal between the officers and Mr. Manigat was

never clear, but it evidently was not stable. General Namphy moved last week to transfer Colonel Paul to a desk job. President Manigat interceded in the colonel's behalf, dismissed General Namphy and put him under house arrest. On Sunday, troops loyal to the general seized the presidential palace. On Monday, in front of a television camera he promoted himself to the presidency, with Colonel Paul standing beside him. Meanwhile Mr. Manigat was checking into a hotel in the Dominican Republic.

Three-fourths of Haiti's people are illiterate. The country has had little experience with any government but military despotism or, as under the Duvaliers, worse. Poverty is severe, health conditions are poor and unemployment is so high that the oumbers are meaningless. The country has an educated middle class, but much of it lives abroad.

The emerging Haitian government is oot one that the United States can support. But oeither can Washingtoo ignore the misery in which most of Haiti lives. Last November, in protest against the aborted election, the United States cut its aid hy two-thirds. It no longer supports the government, but sends money through private voluntary organizations working to improve, mainly, health and agriculture.

Last winter there was some talk in Congress of trying to force Haiti, through economic pressure, to hold new elections. But using aid as a lever to try to influence Haitian political developments does not work. A better strategy is to increase aid and do as much as outsiders can to improve the conditions of life, while continuing to keep the money entirely away from the Haitian government and the army that now runs it.

-THE WASHINGTON POST.

Other Comment

Only a Hesitant Beginning

Mikhail Gorbacbev has inaugurated a each previous flurry of revisionism, his condemnation of Stalin has reached no further than occessary to consolidate his leadership. Criticism of Stalin has been used to clarify what is unacceptable about the way in which the Soviet system has developed. It has facilitated changes in policy without the need to abrogate Marx and Lenin as well. Stalin's "mistakes" have been used to absolve the system.

One test of Mr. Gorbachev's revisionism will be whether Trotsky can be reintroduced into Soviet history without the stereotyped abuse which has accompanied the rare mentions of his name since his banishment. Another, perhaps the greatest test, is whether Lenin - who was elevated to sainthood even as Trotsky was anathematized will ever be treated as human and fallible.

A hesitant beginning has been made; no more. The suspension of school history examinations this summer indicates the depth of historical revision now under way in the Soviet Union. The best result would be the propagation of a more truthful account of Soviet, and world, history; the worst — the replacement of one orthodoxy by another. If the worst is not to happen, a start must be made to commemorating the ordinary victims of Stalin. The system which can rehabilitate those who once stood alongside Stalin must also show itself canable of recognizing the millions they sent to their deaths. When will the system itself be indicted?

- The Times (London).

Japan and the Middle East

Foreign Minister Sosuke Uno this week visits the Middle East to search for ways in which Japan may contribute to peace in this region of conflict. During his tour, which begins on Wednesday, Mr. Uno will visit Syria, Jordan, Egypt and Israel.

We do not, of course, believe that his tour will produce immediate answers on what m can do to help achieve peace in the Japan can do to help achieve peace in the Middle East. However, it will widen Japan's diplomatie channels with nations in the region and subsequently enlarge the scope of Japan's diplomacy. Japan has no intendon of joining the power games in the Middle East. It is our hope that Japan will find ways to

solve conflicts in the region and thereby contribute to the international community. Mr. Uno will inspect conditions on the auspices of the United Nations. It should be stressed that this inspection tour will in no way soften Japan's criticism of Israel's occu-

pation of the West Bank and Gaza. - Yomiuri Shimbun (Tokyo).

The Actress Has Apologized

At the height of the Vietnam war in 1972. actress Jane Fonda went to Hanoi to protest U.S. involvement in Southeast Asia an act for which many Americans never forgave her. Now she says she is sorry for much of what she said and did during the war. Some people suspect an element of calculation in this. But there is no reason to doubt her statement that she regrets having allowed herself to be used for propaganda purposes by the North Vietnamese.

Miss Fonda's youthful lapse at least might be explained as the product of a sincere, if misguided, idealism. By contrast we have yet to hear former President Richard Nixon apologize for, say, the secret bombing of Cambodia - even though that misguided policy led directly to the collapse of a previously neutral government and its ultimate replacement by a murderous resime that deliberately slaughtered millions of its own citizens. Mr. Nixon has never publicly acknowledged his role in the de-struction of Cambodia — an omission, one suspects, that can only be justified on the altogether cynical grounds that, unlike naive young starlets, being president means never having to say you're sorry.

- The Baltimore Evening Sun.

The Stench May Get Worse

The grand jury investigation of bribery and corruption in the Pentagon's procurement program, is starting to show every sign of developing into a gale-force scandal for the Reagan administration. The allegations that have surfaced so far suggest that what may soon be exposed is a network of wrongdoing against which earlier cases of Depart-ment of Defense corruption could seem almost minor. As the extent of corruption. continues to be explored, the already considerable stench of scandal is likely to get worse.

- The Los Angeles Times.

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OPINION Nuclear Weapons: The Only Acceptable Level Is Zen

D UBLIN - Recent developments should not cause us to lose sight of the deeply troubling currents in a world which is still far from abandoning the age-old reliance on military strength. The INF Treaty will eliminate only a tiny fraction of the ouclear stockpiles. still leaving arsenals capable of destroying human civilization many times over.

The arms race continues, It is a powerful source of tension and it squanders real re-sources badly needed to combat world bunger and promote Third World development. Global military spending — a trillion dollars

annually — has increased more than fourfold in real terms since 1941. Current plans for the modernizacion of ouclear forces still call for the deployment of thousands of new nuclear weapons. Since 1982, strategic warheads have in-creased by a third from 18,000 to 24,000.

There are two fundamentally different approaches to security: the adversarial approa based on strength and deterrence, and the cooperative, confidence-building approach. The first is often described as hardheaded and realistic, as having preserved peace for 40 years. Yet there have been dozens of regional conflicts since 1945, often exaggerated by su-perpower rivalry, some of which have threat-ened to escalate into global conflict. The nuclear arms race has led to a world of diminished security at higher levels of armaments.

It is said that ouclear weapons cannot be disinvented, but the time is ripe for new thinking in this regard.

We are confronted with the unsolved problem of disposing of nuclear waste. Dumping at sea can never be accepted by island countries like mine. The growth in ouclear submarine traffic in busy coastal zones, such as the Irish Sea, is also a matter of considerable concern. Such submarines are in effect mobile nuclear power stations subject to the risk of accident and collision. New thinking is called for so as to banish the prospect of almost everlasting contamination of the environment for everyone.

Given that the greatest conceivable environmental catastrophe would be caused by a nuclear exchange between the superpowers, it should oever have been considered unrealistic to seriously consider completely eliminating such weapons. Now at least the superpowers themselves envisage such a possibility.

But the responsibility for disarmament cannot be left to the superpowers. We look forward to further multilateral negotiations to develop the work on confidence- and security-building measures begun at the Stock-holm conference from 1984 to 1986, and to negotiate actual reductions in arms.

The Stockholm document includes a range of measures providing for openness in the conduct of military activities, for constraints on such conduct and for far-reaching verification arrangements. This graduated confidence-building approach, involving all states great and small, has an important role to play in pursuit of the disarmament goal.

The first and obvious step in halting the arms race is to end ouclear testing. Since the Limited Test Ban Treaty of 1963, well over a

By Charles J. Haughey The writer is prime minister of Ireland.

thousand test explosions have taken place, Ireland believes that a Comprehensive Nuclear Test Ban Treaty is the first priority. It would be the single clearest proof of the willingness of the nuclear powers to discharge obligations that they have already accepted and of their

determination to control the arms race. The next step is to halt deployment. Ireland strongly supports the aim of a 50 percent reduction, but this will have little meaning if the remaining warheads are refined and transformed into even more lethal engines of destruction. There should be an end to the development of new weapons and delivery systems.

The third step will be to make further deep reductions in remaining outlear weapons, in-chading sea-based missiles. Remaining num-bers after a 50 percent reduction will still be far greater than what are needed, even accepting the logic of deterrence. The only acceptable level of nuclear weapons is zero.

The nuclear nonproliferation regime (which owes its origins to an Irish initiative at the United Nations) must be strengthened, and internationally agreed safeguards on civil nu-clear installations fully implemented. Agreement should be reached on the total elimination of chemical weapons, the use of which must be regarded with universal revulsion.

The prospect for nuclear disarmament would be immeasurably increased if the threat posed by concentrations of conventional forces were removed. A further essential step is to prevent the extension of the arms race to outer space. Experience has shown that every advance of military technology has mere-ly added a new dimension to the threat facing us all, and squandered vast resources.

International institutions such as the United Nations, which provides structures and a legal framework to govern relations between states. must be strengthened. Most importantly, the Security Council must improve the cooperation among its members, so that it can dis-charge its primary responsibility for the maintenance of international peace and security.

Io a world where force and anarchy challenge the rule of law, many oations feel compelled to base their security oo armed strength. The alternative of building an international order where reason and justice prevail is generally recognized as a task

urged upon us by respect for human vaand concern for survival.

Mine is a small country. We are by member of any military alliance; we have nuclear weapons or installations; our contional forces are small. Our only strength is moral right to speak out truthfully, uninhib by any vested interest or involvement.

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It is sometimes suggested that small co tries depend for their security on the we ons of those nations prepared to use. deterrent it is my firm view that much the contemporary feeling of insecu springs from the very existence of med weapons. Far from providing us with p tection, they are a constant threat dam out to all the people of the globe, inch ing those who possess them.

They are a cloud over the future of m kind — a denial of the age-old hope thumanity could learn to manage its affain peace and friendship and make rational us great new scientific opportunities so that enlightened side of human nature would in itably prevail over the dark.

This comment was adapted for the Internation Herald Tribune from an address on June 2 to United Nations' special session on disarman

Vulnerable America Needs Nuclear Deterrence

WASHINGTON — At last the discussion of foreign policy has begin in the American

presidential campaign.

In his appearance before the
Atlantic Council last week, Michael Dukakis finally said where he stands on issues of national security. Those stands will guarantee his defeat in November providing, of course, that George Bush makes no serious mistakes and helps the American people understand wby the Dukakis positions are extremely dangerous.

In a wide-ranging speech oo security issues, Mr. Dukakis ontlined a strategy differing sharply from that of recent Republican and Democratic administrations, and from traditional NATO plans. Again and again, in his prepared text and in response to questions,

he explained his priorities: to enhance U.S. nonnuclear capacities; to eliminate major onclear weap-ons systems including the mobile MX and the Midgetman missiles; and to stop the development of a strategic missile defense. "We don't need SDI, we need CDI" (a conventional defense ini-

native), Mr. Dukakis said. "We don't need MX missiles running around on railroad cars; By Jeane Kirkpatrick

we need an anti-tank weapon that ble than at any time in its history. can stop Soviet tanks." He believes that America has a "massive and survivable ouclear deterrent," but be did not imply, nor does be presumably believe, that U.S. security can be guaranteed by a strategy of mutually assured destruction. Otherwise he would have shown more concern

with nuclear force modernization. Almost all NATO strategists strongly support enhancement of conventional forces, but in a context of comprehensive force modemization. By decoupling conventional force enhancement and onclear force enhancement, Mr. Dukakis seemed to suggest that conventional forces could substitute for nuclear deterrence.

The most disturbing aspect of Mr. Dukakis's approach was his apparent unconcern with the defense of the United States.

The vulnerability of the United of our times. Most Americans still do not understand that improvements in the accuracy and speed of Soviet missiles and the silencing of Soviet submarines have

It is a oew fact; it is unwelcome: Americans do not want to know it; we do not like to think about it. Even "war games" do oot incorporate into their scenarios the possibility of a direct threat to American territory.

Yet for the first time in history a potential adversary has the capacity to destroy American cities, populations, productive and defense capacities in a matter of minutes. The oceans which through two centuries have protected the United States against foreign incursions are today a medium for oewly silenced submarines to gain access to American shores.

American vulnerability should be the starting point for any seri-ous consideration of security policy. Otherwise the discussions are as idle as the plans of French gen-erals who after World War I built elaborate concrete fortifications States is the most important fact that were exactly the sort of thing France had needed in that war, The Maginot Line proved utterly useless against Hitler's mobile ar-mies and blitzkrieg tactics.

France's defenses failed because rendered America more vuloera- its generals had failed to under-

stand the revolution in technok and tactics of war. Convention thicking and conventional fenses failed France, as come tional thinking and convention defenses can fail the United Stat In our times, it is not easy

keep a nation's defenses par with scientific innovation and m tary application. It is much en and much more pleasant to thi about glasnost than to keep to of Soviet research, development of improved fensive and defensive missiles none of which has been affected Mikhail Gorbachev's reforms.

Mr. Dukakis's first serious w ture into foreign policy sugge that he has not yet faced the f that the first responsibility of oext American president will he provide for the defense of the a tinental United States. The type of weapons needed for such a fense are precisely those he p poses to eliminate or downgrad One hopes that he will soon to his attention to this most urp problem. At the very least, should say how be plans to r tanks to defend America againgrowing arsenals of Soviet lar and sea-launched ouclear missi

Los Angeles Times Syndique

Gulf War: A Face-Saving UN Formula to Bring Iran Aroun

E XETER, England — It is almost a year since the United Nations Security Council unanimously adopt-

ed its mandatory Resolution 598, demanding a cease-fire and other measures to bring an end to the war between Iran and Iraq. It is also a year since warships were

deployed in the Gulf to protect some drags on; overall, attacks on shipping have increased. What has gone wrong? Is the Security Council impotent to bring this bloody conflict to an end? In fact, the distinction between

mandatory resolutions of the Securi-ty Council under Chapter VII of the UN Charter and recommendatory resolutions (of which the council has adopted six since the war began) under Chapter V is more apparent than real. The council has no automatic means of enforcing its will. It can prodoce results only through oegotiations on the basis of its resolutions.

This requires at least minimal cooperation from all parties to a dispute. The UN secretary-general, Javier Pérez de Cuellar, has sought to secure this in a lengthy round of discussions with representatives of Iran and Iraq. It was no surprise that Iraq accept-

ed Resolution 598 in its entirety, provided that Iran did the same. Iraq has every reason to be satisfied with the attitude of the Security Council since the outbreak of bostilities. When Iraq invaded Iran in September 1980, the Security Council did not even meet for days. Iraqi pressure to

let its forces pursue their attack was a major factor in this inactivity, as was Iran's pariah status due to the hostage drama at the U.S. Embassy in Tehran. The council's first resolution (SCR 479 of Sept. 28, 1980) did not call for the withdrawal of Iraqi forces, then deep in Iranian territory. The council

since has failed to condemn Iraqi use of poison gas (except once in 1986, in a presidential statement) or Iraqi initiation of the attacks on merchant shipping and the bombing of cities. Resolution 598 also is weighted in Iraq's favor. It offers a cease-fire plus the interposition of UN peacekeep-

ing forces, withdrawal to the international boundaries and an exchange of prisoners. Iraq's forces had been oo the defensive for six years, and these propositions suited it.

Unsurprisingly, Iran equivocated. For Tehran, all the resolution offered was, in Article 6, the "exploration of the question of entrusting an impartial body with inquiring into responsibility for the conflict," and (Article 7) a study of the question of reconstruction, meaning reparations.

Iran saw itself in the position of

having to lay down its arms, surrendering all that had been gained at appalling cost, with no certainty of the aggressor being identified, let alone punished. The secretary-general has been un-

able to secure Iran's minimum cooperation, without which the resolution is likely to remain a dead letter. The ns' paranoia is intensified when they are characterized by the majority of the council as the recalcitrant party, against which coercion is needed. Still, there is a possibility of secur-

ing a more flexible franian attitude. Iran has suffered setbacks on the battlefield and at sea. If its leadership is having second thoughts, it needs some face-saving formula that can be presented to the people as sufficient By Anthony Parsons

This could be achieved by the Security Council publicly adopting a more impartial posture. It would be hard to sell to Iraq, but Baghdad might be prepared to accept a diplomatic setback if it opened the door to peace.

The Security Council acceptance was, read that that it started the bombardment of cities.

A statement from the council acknowledging these facts might do more to bring Iran to the table than an arms embargo or other mandatory started to the started that it is th

The Security Council could, for example, acknowledge in a statement hy the president that all the blame does not rest on one side. Iran was insufferably provocative in 1979 in its attempts to export its revolution hy sub-verting the Shiite Moslem majority in Iraq. But it was Iraq that invaded. Iran may be obstinate in cootinuing the war after Iraq was ready for peace at any price. But it was Iraq that started

reason to agree to a cease-fire. the tanker war, Iraq that first used

sanctions which would reinforce the leadership's laager mentality.

Such a course of action should out present overwhelming problems for the 10 conpermanent members of the council. West Germany, Italy and Japan have reasonably good relations with Tehran. Argentina, Zambia, Algeria, Yugoslavia, Nepal, Senegal and Brazil are oonaligned.

Among the permanent members,

But coercion is unlikely to bring

Tehran to its knees. If the Security

national Herald Tribune.

This Savvy Russian Saw Iran as the Place to Fear

By John K. Cooley

LONDON — It seems like yester-day: a summer noon in Washington, 1979. Much of the media was celebrating the signing of the SALT-2 Treaty by Jimmy Carter and Leonid Brezhnev. An outdoor lunch and a stroll with Alexander Zotov, a Soviet Embassy official, provided a welcome pause in a daily reporting rou-

tine at the Pentagon.
Today, Mr. Zotov is the Communist Party director for Middle East affairs in Moscow. This probably makes him one of those responsible for formulating Mikhail Gorbachev's

policies in that part of the world. Mr. Zotov is a former diplomatic troubleshonter — trooble-maker, some would say — in Iran, Turkey and Arab capitals including Damascus. He speaks the languages and understands the cultures as few U.S. diplomats do. He would often turn up at Middle East conferences of American academics, looking and speaking, in idi-omatic English, like one of the dele-

gates, or perhaps like a very well-informed American businessman. Tell me," I asked him on that June day, "what you think is the most dangerous situation or place in the world

today for both our countries?" seemed certain be would mention the ouclear arms race, especially if the U.S. Senate did not ratify (as it didn't) SALT-2. Or perhaps the Arab-Israel conflict. Instead, be said without hesitation: "Iran is the most dangerous place and situation in the world today, for us and for you."

That was five months before the American hostages were seized at the U.S. Embassy in Tehran. But demonstrators in Iran were already denouncing the U.S. and Soviet embassies as Great and Lesser Satans. Throughout the Iranian revolu-

his excellent oew book, "The Eagle and the Lion: The Tragedy of Ameri-can-Iranian Relations," U.S. and So-viet diplomats like John Stempel and Gennadi Kazankan had met regularly in Tehran to discuss the unrest. At one point, Mr. Bill writes, long before the Carter administration made the fateful decision to admit the shah

crisis), Mr. Kazankan "argued to Stempel that the United States was not doing enough to help the shah."

Alexander Zotov never said anything like that to me. What be did say was: "You and we both fooled around in Iran before. We got

burned. You'll get burned, too, unless

you're very careful." In his reference to the Soviets, Mr. Zotov probably was talking about 1946, when Harry Truman, working with the government of the shah, speceeded in ejecting the Red Army from the northwestern Iranian region of Azerbaijan. The region adjoins Soviet Azerbaijan, where a conflict be-tween Moslems and Christian Armenians oow threatens the stability of

Mikhail Gorbachev's regime. The Soviet founding fathers realized that in the South they were inheriting the consequences of 19th century conquest and colonialization by the czars. Turks, Armenians, Russians, Persians and others had been fighting for control for centuries. Only the Bolshevil revolution, they thought, had found formulas for federation.

Just as Truman and the shah feared that Iran's Azerbaijanis would slip under Soviet domination, Mr. Gorbachev must now fear the disruptive force of Armenian nationalism and the subversive appeal, at least to some Soviet Moslems, of Tehran's ayatollahs.

Like the Kurds, who were promised a state by Woodrow Wilson after World War I, the Armenians have increasingly protested at being used as political pawns or military mercenaries by their bost countries: Iraq, Turkey, Syria and the Soviet Union. In the 1970s, as Mr. Bill and others have shown, the shah and Secretary

of State Henry Kissinger, together Throughout the Iranian revolution, as James A. Bill documents in fare by the Kurds to weaken Iraq's Arab government and military ma-chine. They withdrew that support when it suited the shah's interest to make temporary peace with Iraq. Unlike the Kurds, bowever, the Armenians have tasted national glory and independence several times since embracing Christianity and Western

ways around A.D. 300. They were

to the United States for medical treat-ment (thereby triggering the hostage dent Armenian republic of 1918.

the Soviet Unioo and China should not find such a solution totally unacceptable. France has just reopened relations with Tehran, and Britain has asserted its impartiality. America would have grave reservations. There are too many heavy scores

to be settled; the overthrow of the shah in 1979, the captivity of the U.S. Embassy staff from 1979 to 1981, the perceived Iranian hand in the murderous truck bombings of U.S. military and civilian personnel in Beirut in 1983, the Iran-contra fiasco in 1986. The list is long, and it would be particularly hard in an election year for the United States to swerve from its publich bostile attitude toward Tehran.

behavior of the Khomeini regir not prepared to acknowledge that needs something more than imsions in Resolution 598 to show dreadful human losses, the war is ly to grind on, thousands more killed, the threat of a deep-rooted flict between civilizations will in fy, and the danger of the great pe being drawn in further will incre

Council, whatever its members

The writer, now a research fellowing the University of Exeter, was Brit ambassador to Iran from 1974 to and its permanent representa United Nations from 1979 to 198 contributed this comment to the I



1920, after generations of warfare gard Iran and its approaches and killings of Armenians by Turks, the most dangerous places in the Kurds and sometimes Russians.

After 1920, the Turkish-Soviet around the world, must boundaries drawn across their territo- whether the attention they ry became what to Armenians seem like permanent partition. Only the So-viet republic of Armenia kept its cultural identity and some kind of nation-

receiving will help bring a

The writer, a staff our and al structure—if not political freedom. ABC News based in London, Mr. Gorbachev, struggling to disen- in the Middle East, He

100, 75 AND 50 YEARS AGO

gage from Afghanistan, must still re- to the International Herald Trail

1888: News Summary

PARIS - China: An alarming rebellion on the part of the large numbers of persons left destitute by the recent inundations of the Yellow River is reported to have broken out. Troops are stated to have joined the rebels and

Austria-Hungary: Beethoven's remains were exhumed [on June 21], and will be transferred to the Central Cemetery at Vienna. Russia: The private negotiations

to have slaughtered officials.

between Russia and the Vatican have been interrupted. Abyssinia: A despatch from Massowah confirms the report of the death of Ras Area Selasie, son of the Negus. He is stated to have been poisoned, and it is rumored that the Negus has had several chiefs suspected of com-

1913: Reply to Russia

plicity in the crime put to death.

ST. PETERSBURG — The Russian Government proposed to the United cleaned up and the pictures rebuil

merce denounced by the States apropos of the incident nected with passports of American Jews travelling in Russia. Presid Woodrow Wilson has replied that would only accept the proposition condition that American Jews be lowed to enter freely into Russia.

1938: Fire at the Louvi PARIS - The firemen of Paris night [June 21] prevented serious oancial and cultural loss when the put out a blaze on the roof of Louvre over the Grande Galerie rectly above dozeos of canvases. Rembrandt and Rubens. Flan touched none of these. This was first time in the history of the Lor as a national museum that the but ing has ever caught fire. It was pected that the anthorities, antic to reassure the public, would of the Louvre on time today, providi

all the water and sawdust could

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The Level & Newspapers, Boringly Clean, lave Forsaken the Unwashed

By Jim Fain

JASHINGTON - Sometime in icons were designed to reward gravitas. June 1938 I got a joh as a newspa-reporter. After 50 fun years, here-3 a few curmudgeonly sentiments on state of the press, then and now. lot the usual complaints. American spapers by and large are more re-nsible. Reporting proficiency is high-So are ethical standards.

he problem is neither venal toadying advertisers (there used to be more) sensationalism "to sell papers." It uliness, conformity, self-importance the thirst of editors, reporters and lishers for peer approval. The result 1 Daily Bleat more conducive to

cozing than to schmoozing.

copt for a few pillars of rectitude
as The New York Times, newspai used to be lively, warm companions, afraid to laugh, cry or otherwise re-t the human condition. Along with and elections, they chronicled cats and from trees, mothers reunited with ies and circle for the common cold.

his afforded inexpensive sneering dieges to those who found solace in dieges to those who found solace in dieges to those who moved their lips when readinto worthy labial exercise. It promote the common cold. ed the majority in between with a d of life's absurdities to leaven the

om of significant events. lews people, who lean toward high-ided melaneholia, were never comable with this panache. They felt ialized when dealing with interest-subject matter, and gloried in the eadably portentous. They were en-raged in pursuit of the grave by malism faculty desperately if vainly ming the inner citadels of academe.
o bolster their self-esteem, journalcreated legions of merit. There are oot customer satisfaction. They lend us the dignity we crave.

Television provided an excuse. Let the idiot box regale the unwashed, we said. We will concentrate on the significant. As a result we lost circulation and, worse, intensity of readership. We destroyed our most valuable asset: the interactive bond with readers which produced a unique chemistry. When we were vital, there was a love-hate relationship that maintained mutual respect.

It's mainly gone, alas. As the number of papers dwindled in America, those perceiving themselves most reverently as upra-governmental institutions became the industry model. Iconoclastic ownerpublishers died off, to be replaced by bureaucrats vying for trade association chairs, slavishly copying each other's "products," glorying in the attentions of the powerful and willing to sell their mothers for the key to the men's room of the ruling Eastern elite (New York Times, Washington Post, Wall Street Journal). This access is not, however, for sale. The satraps are too shrewd to share.

Television has a vital role in journalism but it complements print. Newspapers shot themselves in the foot, led by egotists who forgot what we are about.

The First Amendment gives us unique

freedoms not because we are fair-haired or even just but because we have an usable service to perform. It is to ingrain readers with the information they must have to make democracy work. This process is incomplete until we make the information compellingly interesting and easily understandable. It can't be done with wordy, wooly esoterica. The only hope is to reach honestly and humbly for linkage to the public's nervous system.

ongress Is No Innocent Bystander

I the 1950s, the liberal academy and these events, was an innocent bystander. its acolytes in the American press cluded that the U.S. system of govment had two flaws. One was the dohing occupant of the White House, ight Eisenhower, who was allowing presidency to wither away. The other Congress, a backward, obstructionnob of Dixiecrats and isolationists. The solution was simple: a vigorous ing president who would restore the ce to its rightful place as the center of eral action, power and authority, relting Congress to its proper role as a

apliant junior partner. John F. Ken-ty seemed to fill the bill. Its grave was still fresh when a new dom began to take hold in the press. nation was threatened by an "impe-Proposidency." It launched the nation Victnam and carried out the Watere conspiracy. Later it perpetrated Iran-contra affair. Congress, in all

It underwent a mysterious reincarnation, became the conscience of our better selves and made common cause with the press to expose the evils hatched at 1600 Pennsylvania Ave. (It was perhaps not coincidence that the White House was in Republican hands during this period while Democrats controlled Congress.) Where are the journalists now? The

Iowa caucuses, events of no significance, attracted 3,000 of them this year, five times the number who covered World War II. The largest pack of newspeople to show up in the House or Senate this year as for a contra aid vote: about 125. The stories of 1988 are elections and

summits. That is where the journalists are, Michael Dukakis or George Bush will be 1989's big story. Congress in 1990? I'll give you 4-to-1 against.

- From a column by Richard Harwood, ombudsman of The Washington Post.



'Hi, I'm Jim,' They Tell Me; I Want to Reply, 'Buzz Off' By Richard Cohen WASHINGTON — It's a miserable day, raining cats and dogs. I'm in a miserable mood, a thousand things to "Welcome" or of getting someone's at-

do and a plane to catch in the afternoon. I have overslept and oow I am trying to do two hours' worth of errands in one, pushing the car through traffic, looking for parking spaces and running in and out of stores. At each one, I am forced to lie. "How are you today?" every elerk asks. What business is it of yours? I want

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MEANWHILE

to say. All I want is a shirt, a tie, my dry deaning, a container of orange juice. I do not want to tell a perfect stranger how I am. Io the first place, it's none of his business. In the second place, I know he doesn't care. All he wants is my money. "How are you?" he asks. "Fine," I lie. "Fine." I hate it.

Whatever happened to "hello"? It was such a wonderful word, "Hello. Hello." Perfect. It was just a greeting, "Hello.

Breker, the court sculptor and personal friend of Hitler, to do busis of himself and his wife. Such an act reveals a nos-

The Israel Museum, Jerusalem

Once again a much-oceded warning

from A. M. Rosenthal ("When Kissinger

and Vance Take the Same Pen in Hand,"
June 8). Mikhail Gorbachev, President

Reagan's oew "friend," is determined

"to protect Soviet interests abroad."

These include keeping in bondage the

To millions of victims abandoned to

Stalin in Tehran and Yalta, the Moscow

summit meeting was "Yalta '88," another

tacit confirmation of the Soviet sphere of

MARTIN WEYL,

talgia for those 12 ignoble years.

Reagan at 'Yalta' 88'

my favorite. It's such a nice way of saying "Welcome" or of getting someone's attention ("Hello! What's this. Watson?" said Sherlock Holmes.) "Good morning" is fine, and so is "Good day." but "Hello" is my favorite. It's so easy on the tongue, so absolutely neutral — just a way of saying, well, hello. Try it: "Hello, Hello."

But the best thing about hello is that it's honest. It is wood, not plastic, real cream, not some chemical confection. It does not require a lie in response. When I am asked, "How are you?" the re-sponse "Fine" is often not true. I am usually oot fine. In fact, I have not been fine since 1949, and there are days when I am downright miserable. Sometimes I say just that: "Miserable." Do these sincere clerks even listen to my response? No. Usually they say, "That's good. May I show you some ties."

Only sometimes — every once in a great while — one of them will actually pay attention. I answer "Miserable," and something happens to his face, something totally inappropriate. It doesn't drop, It lights up. It beams. You know why? Be-cause then he tells me his problems customers that have given him a hard time, the travails of retailing. I should write about it in the newspaper, he will say. I think, do not compare your problems with mine. Mine are cosmic, gargan-tuan, complex. But I don't say that. I listen. I am a saint. I also hope for a discount.

The question "How are you?" is yet another reflection of the false sincenty infecting America. The more atomized society gets, the more we opt for synthetic sincerity, a kind of verbal Muzak that plays in the stores: the white noise of

retailing. How's it going? How are you?

It is one thing when a clerk you know asks "How are ya?" because in that case there is an outside chance he may really care. I know clerks who have been serving me for years. They know me. They know my son, and some of them even ask about my car (I'm line, my son's line, but the car, alas, is a goner). But anonymous elerks? Who wants to tell them? Buzz off.

I'll give you a variation of this false sincerity. "Hi, I'm Jim." the waiter says. Can I say. "Who cares what your oame is, fella? Just hring me a driok." No. I have to treat him like a friend, a pal, "Hi, Jim. How-are-ya? Richard's the oame, journalism's the game. My sign is Aquarius. Sit down, Jim. Can I bring you something?"

The little lies, the squalid little pre-tenses, add up. It's like a drizzle of insincerity -an entire nation trained to be Marriott hostesses, millions and millions of faceless people asking me over and over again how I am. I'll tell you how I am. I'm sick and tired of being asked the question. I want the entire country -- every man, woman and child - to go back to saying "Hello."

Hello, hello! Is anyone listening? Washington Post Writers Group.



LETTERS TO THE EDITOR

Sanctions Debate Is Full of Folly and Wishful Thinking

Regarding "Now a Season of Opportuni-ty for Southern Africa" (Opinion, June 14): Anthony Heard assumes that the Afrikaner, led by President Pieter W. Botha, is both rational and democratic. History says Otherwise. The Afrikaners are a prime example for Barbara Tuchman's "The March of Folly"; Presoria meets all the criteria of a government pursuing policy contrary to self-interest.

Mr. Botha's mandate to govern comes from a small percentage of the popula-tion. Power-sharing is not in the nature of the Afrikaners. One pretext for the Anglo-Boer War was the refusal to franchise a minority of English-speaking citizens, the Uitlanders. Angola and Namibia will be South Africa's Vietnam if the Afrikaners con-

tinue to ignore United Nations Resolution 435 - which calls on South Africa to end its rule of Namibia - and try to hold on to the spoils of World War L If the Afrikaners continue to destabilize and beggar the 75 million Africans in southern Africa in the selfish interests of 2.5 million Afrikaners, history will make the decisions, not a Botha-led oligarchy. [Name withheld]. Paris.

To oppose sanctions against apartheid on the grounds they will promote economic growth in South Africa, as The Washington Post does ("No to New Sanctions," Opinion, June 16) is wishful thinking. The three decades beginning in 1945 saw relatively rapid economic growth in South Africa and also the rapid growth of

come differentials did not narrow. In this decade, the decline in wage differentials, the modest (and now largely reversed) increases in the black trade unions' room to act and in the discussion whites of real reforms, have come during a period of virtually no increase in output per person. Domestic black pres-sure, a hostile world economic environment and governmental and business

sanctions have caused these changes. With less economic room for maneuver, the apartheid establishment has become more willing to concede real economic ground and to attempt to restructure apartheid politically while retaining a white monopoly of force, of political decisions and of central economic power.

By reducing the economic (and thus military) power available to the apartheid regime, sanctions can contribute to reducing the time and lives lost before that regime agrees to a transfer of power to a new system. Sanctions cannot cause this -only black South African action can but they can contribute to it by reducing the resources available to sustain apartheid and by showing that South Africa's variant of Western Christian civilization" is seen to be neither civilized nor Christian by the West.

REGINALD HERBOLD GREEN. Lewes, England.

The Washington Post says "No to New Sanctions" against South Africa and im-plies that withholding "labor and pur-chasing power" can be effective weapons in the struggle against apartheid. But a apartheid doctrine and practice. While news story in the same edition tells how black employment grew, black/white in-

prosecution under state-of-emergency laws, avoided calling for a strike" which would have meant withholding labor - on the anniversary of the 1976 Soweto uprising. Blacks face this kind of circular reasoning. Withhold your labor to bring about change; but if you with-hold (or advocate withholding) your labor, you will be imprisoned.

JOSEPH SELMORE.

How can anyone "appreciate" South Africa's press restrictions, as Cynthia Coetzee (Letters, June 8) claims. She writes that "naturally these restrictions are not accepted by those who want the world to think the situation in South Africa is deteriorating." To the contrary, we don't want these restrictions because we want to show the world the institu-tionalized violence and brutality of the racist white government of South Africa.

H. KGABO, Vichy, France. **Neither Hide Nor Glorify**

Regarding "Official Nazi-Era Paint-ing: Is It Kunst, Kitsch or Just Junk?" (May 24) by Serge Schmemann:

It is understandable that the public is interested in seeing art created during the Nazi period in order to make judgments regarding its content and quality. Therefore, I would agree with Peter Ludwig's argument that it is time to stop trying to hide 12 years of German histo-ry. But Mr. Ludwig's personal actions should be viewed in a different light. It is one thing to present an exhibition of works created for the Nazi regime; it is quite another to commission Arno

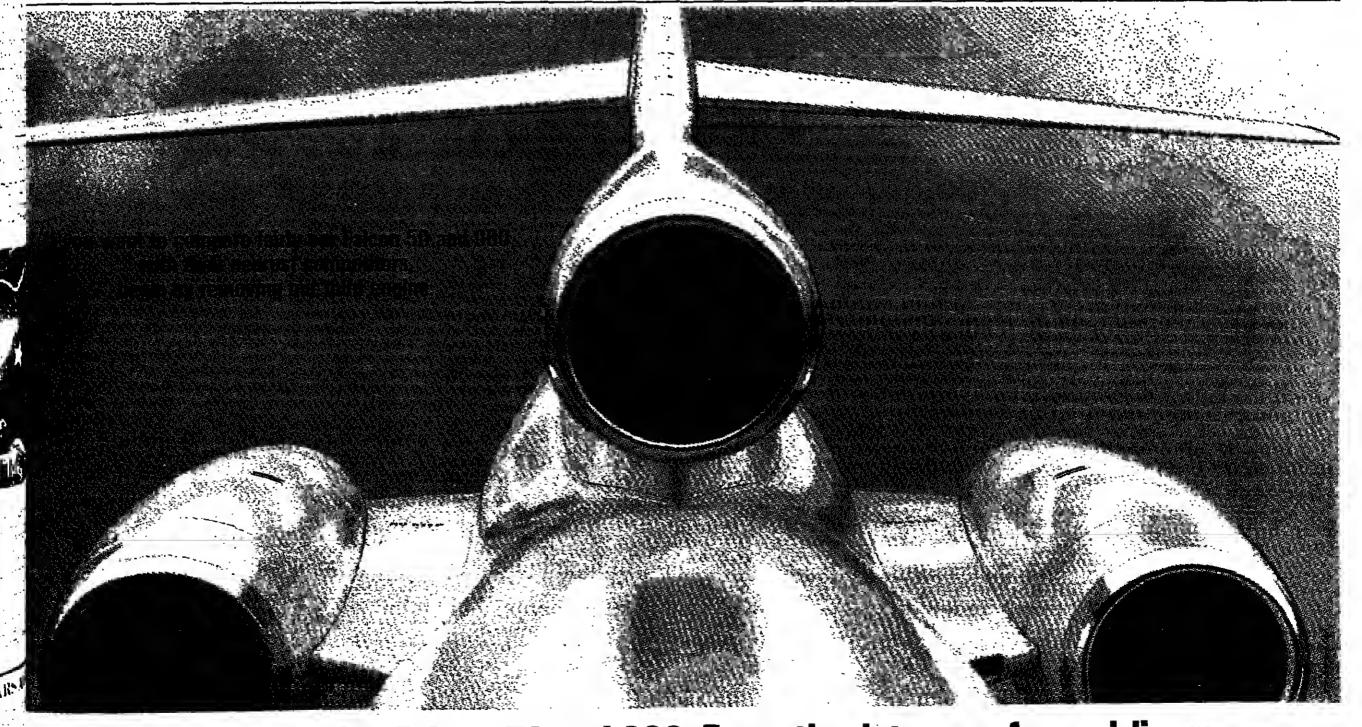
influence east of the Elbe River. S. GROCHOLSKI, Hammo-Mille, Belgium.

nations of Eastern Europe.

Shillelaghs at 20 Paces Regarding "It Is, of Course, a Matter of Offense and Defense" (Sports, June 15):

Last year you claimed Sean Kenny (stage designer) as British. You claimed Colm Willenson (actor/singer) as British. Now you claim that much of the Irish soccer team (which beat England) is in fact made up of "second-choice Englishmen." Enough is enough. Accept this letter as a symbolic gauntlet and choose your weapon. (P.S. Thanks for leaving us

Stephen Roche and Sean Kelly.) NOEL CODY.



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Of course you could stick with comparing openg ranges, cruising speeds, usable cabin space 1 the soundproofing of other private jets. Which, between us, would only again highlight the rantages which are the strength and reputation

he Falcon the world over. But the comparison stops there for one very ple reason. The Falcon 50 et 900 have three

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Foreigners' Expulsion Signals **Prague Harshness on Activists**

By John Tagliabue New York Times Service

WARSAW — The expulsion by Czechoslovakia of 32 foreign participants at a human rights conference indicates an increasingly harsh atmosphere in Prague toward independent movements for human rights and other causes.

The foreign participants, including six Americans from a New York organization called the Campaign for Peace and Democracy, were detained Saturday morning, held for about six hours and ordered to leave the country. The

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DIAPASON

Refined cooling, 1988 Goult-Millou (14/20, I Chef's cop), business menu (i drung menu (iFF 180) 8, menu, 30 li Bernardira, Telu 43.54.21.13.

They had been taking part in discussions organized by the human rights organization Charter 77 and the Independent Peace Council, a Czechoslovak anti-war group.

The meetings were the fourth in a series that have been convened in Eastern Europe by independent anti-war groups from East and West in recent months. Earlier gatherings took place in Budapest, Warsaw and Moscow.

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Dining Out

The Prague conference was the

authorities also detained as many first to be disrupted by government

The Czechoslovak authorities have stepped up their activities in recent weeks against independent organizations like Charter 77.

The Communist Party newsp per. Rude Pravo, published an editorial timed to coincide with the close of the Moscow summit meeting in which it denounced the activities of independent groups it said were supported by Western govern-ments to destabilize East bloc

Joanne Landy, one of the American participants at the human rights conference, said plainclothes and uniformed police officers raided the apartment of Jan Urban, a member of Charter 77, on Saturday morning and rounded up partici-

pants in the meeting.

Ms. Landy said that on Friday
the police had raided another apartment in Prague, disrupting a similar meeting and detaining

about 20 Czechoslovak organizers.
"We asked the police what law
we were hreaking, discussing at the
grass roots level the same issues
that Gorbachev and Reagan discussed at the summit," she said by telephone from Vienna on Sunday. "But they never gave us an an-

By Sunday afternoon, it was understood that the detained Czechoslovaks had been released. Among those held Saturday were

oumerous signers of Charter 77, including their spokesmen, Milos Hajek and Stanislav Devaty. One of the purposes of the twoday gathering was to discuss a proposal for a European peace parliament, comprision anti-war and human rights organizations, to dis-

cuss such issues as the promotion of human rights, conscientious obection to military service and the role of the military in both Eastern and Western societies. Participants at the meetings came from 15 countries, ranging from West European countries, including Britain and Italy, to ocutral

Bahrain Has First Talks With Moscow's Envoy

countries such as Austria, Switzer-

land and Sweden, and East Euro-pean nations, including Hungary, Yugoslavia and Czechoslovakia.

BAHRAIN -- Bahrain on Tuesday held its first official talks with the Soviet Union, the Foreign Minstry said.

Moscow's ambassador to Kuvait, Ernest Zverev, discussed with the emir of Bahrain, Sheikh Isa bin Sulman al-Khalifa. Soviet views oo ways to end the Iran-Iraq war and the Palestinian problem.



RIOTS AT THE WALL — East German border guards wear masks to protect themselves from tear gas used by West Berlin police to quell rioting near the Berlin Wall by a group of squatters, who were protesting plans to construct a road near the Potsdamer Plazz,

U.S. Dubious About Its Data on Pakistan

By David Ottaway Vashington Post Service

WASHINGTON — Administration officials are concerned about the quality of intelligence fast-breaking events in Pakistan and Afghanistan and debating whether to send a special U.S. envoy to serve as liaison with the

Afghan resistance to improve it. Since the start of the resistance's struggle against the Soviet occupation in late 1979, sources said, President Mohammed Zia ul-Haq of Pakistan and his interservices intelligence unit have had a near-total control over contacts, intelligence and the amount of U.S. arms flowing to the various Afghan rebel

Many U.S. officials oow private-ly acknowledge that the United States has been far too dependent and most effective career diplomation about internal Afghan rebel politics, and probably on General ter General Zia's sudden decision Zia's own assessment of internal Pakistani developments as well.

Long-standing concern about this problem has become the subject of active debate inside the administration, prompted in part by General Zia's surprise decisioo May 29 to dissolve his government and Parliament and in part by pres-

Senate Majority Leader Robert C. Byrd, a West Virginia Demo-crat, and Minority Leader Boh Dole, a Kaosas Republicao, Wednesday wrote a letter to Secre-tary of State George P. Shultz urg-ing him to appoint an ambassadorat-large to monitor Afghan rebel activities and coordinate U.S. policies. The two Senate leaders made it clear they were ready to hold up confirmation of "a oumber of worthy ambassadorial cominces" unless Mr. Shultz names such a special envoy.

At the center of the debate inside the administration is Arnold L. Raphel, the U.S. ambassador to Pakistan who has a reputation as one of the State Department's brightest to fire his prime minister, Mohammed Junejo, and dissolve Parliament.

Officials said that this came as a total shock to the State Department, which had no advance warning he was about to make such a

The department's surprise was all the more acute because Mr. Raphel was with General Zia only a few bours before he announced the decision. But Mr. Raphel reported-ly did oot even pick up a hint of what he was about to do.

by General Zia and his closest assoternal situation.

However, Representative Charles Wilson, a Texas Democrat, who just returned from Pakistan, defended Mr. Raphel's performance. He said General Zia's decision to fire Mr. Junejo came like a kistan continues under the threat of bolt out of the blue and that no Soviet or Afghan government remore than three of General Zia's taliation. The threat is becoming closest confidents knew beforehand of his intentions.

bassy in Islamabad, reflecting the general attitude at top echelons of the State Department, was not anxious to find signs of trouble in Pakistan's experiment with democracy because its supposed success has been a major selling point in seeking congressional support for hil-lions of dollars in U.S. aid. One of the recurrent problems,

sources said, has been Pakistan's efforts to build a nuclear bomb with materials bought secretly in the United States, even while General Zia and Mr. Junejo were assuring the Reagan administration that it had oo such intentions.

General Ziā is regarded at the State Department and White House as one of the United States' closest strategic allies. But his - France has tested a small nucle-

sures from Congress for closer di-rect U.S. relations with the Afghan resistance.

of its best diplomats may be suffer-ing a case of "clientitis," depending too much on information provided problems for the administration. ment are posing serious new policy problems for the administration.

In addition, General Zia has ap-parently done little to crack down on the thriving drug trade inside Pakistan, a fact that could force a reduction in U.S. aid.

But the administration remains reluctant to upset U.S.-Pakistani relations over these issues while Padaily more acute, according to Mr. Wilson and several U.S. officials, Some sources said the problem because of General Zia's continu-went much further than Mr. Ra-ing strong support for the alliance, phel. They said the whole U.S. Em-U.S. arms to the rebels.

Both Soviet and Afghan government officials have repeatedly ac-cused Pakistan of blatant violation of the April Geneva accords on the Soviet troop withdrawal. They also stipulate that Pakistan must stop all assistance to the alliance from its territory.

Some U.S. officials are argui there is no diplomatic need for a meeting, he promised new open-special envoy because the U.S. ness in the party. He said the Com-Consulate in Peshawar already ful-minists would present a clearer. fills that duty.

French Test Nuclear Device

WELLINGTON, New Zealand what he was about to do.

Islamic fundamentalist among the series of underground tests on the There is the suggestion in some Afghan alliance's seven leaders. South Pacific atoll, New Zealand State Department circles that one Gulbuddin Hekmatyar, and his scientists said Tuesday.

the biggest Communist grouping ontside the East bloc and has been Italy's second biggest party for most of the period since World But its support has declined

setback.

steadily over the last decade under pressure from the Socialists of the former prime minister. Bettino Craxi. It is also suffering from the debilitating effect of 40 years in opposition and from a failure (update its image in the face of changing more affluent Italy. The Socialists seem poised (

Communists

In Italy Elect

Chief From

Party's Left

ROME — Italy's Commu

the biggest Markist party in the West, elected Achille Occhetto, a

member of the party's left wing as their new leader on Tuesday to

tackie a sharp shimp in their sup-

Party officials said their central

and control committees had over-

whelmingly elected, Mr. Occhetto,

52, to replace Alessandro Natta, 70, who is sick and resigned on

There were only three votes against his election, all from the

party's right wing, and five absten-

tions among the 286 members of the two committees, the officials

Mr. Natta, who is recovering

from a heart attack, resigned after

the Communist Party suffered its

worst defeat in 35 years in local polls at the end of May. Its share of the vote slumped to just under 22 percent, five points down on gener-

al elections a year ago, in which it

had already experienced a sharp

The Italian party has long been

June 13.

topple the Communists from their traditional leadership of the Italian left after the gap between the two parties in last month's local polls narrowed to less than 4 percent The difference was 25 percent

After the Communists' peor howing in the general election in June, Mr. Natta designated Mr. Occhetto as deputy secretary and future leader. Since last July, he has effectively led the party because o Mr. Natta's illness. He was the only candidate in the leadership elec

In the past year, Mr. Occhetto has overcome trenchant opposition from the right wing.

Earlier in the central committee more incisive opposition to the five-party Italian government. The coalition is made up of Christia Democrats, Socialists, Liberals, Sc cial Democrats and Republicans.

The new leader, who has repre sented a district in Sicily in the Chamber of Deputies since 1976, strong support for the most radical ar device at Mururoa, the 98th in a added: "Nobody should think that we want to discourage or restrict discussion, but everybody must play their part."

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Finland	F.M.	1,830	41	1,000	35	550	29
France	Ţ.F.	1,600	37	880	31	480	25
Germany*	D.M.	600	39	330	33	182	26
Gr. Britain	£	135	38	74	32	41	25_
Greece	Dτ.	25,000	47	14,000	41	7,700	35
Ireland	£Irl.	155	43	85	38	47	31
ltaly	Lire	400,000	39	220,000	33	121,000	26
Luxembourg	LFr.	11,500	37	6,300	31	3,400	25
Netherlands	FL	660	40	365	33	200	27
Norway (air)**(hd. del.)	N.Kr. N.Kr.	2,000 2,500	39 24	1,100 1,400	33 15	600 700	27 15
Portugal	Esc.	26,000	51	14,300	46	7,900	40
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Switzerland	S.Fr.	510	44	280	38	154	32
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CIA Profiled Waldheim in 1970s

New York Times Service WASHINGTON - Somewhere in the files of the Central Intelligence Agency there is a psychiat-ric profile of Kurt Waldheim dating from the 1970s, when he was secretary-general of the United

The study was made by a psychiatrist who was dispatched to New York by the agency in 1973 and temporarily attached to the United States' UN delegation whose chief delegate was then George Bush, now the vice president, according to a highranking former government official.

The official said the unusual arrangement came about when the CIA requested that the American delegation assist the psychiatrist in making it possible for him to observe Mr. Waldheim at close quarters, "including the cocktail circuit," for sever-

Mr. Waldheim, now president of Austria, became secretary-general in 1972 and remained at

the post for 10 years. The psychiatrie study long preceded the expo-sure of Mr. Waldbeim's activities in World War II. as a German army licutenant who was at the scene of war crimes in the Balkans.

He is now on a list of foreigners barred from entering the United States. The CIA has long refused to make public any information from its files on Mr. Waldheim and

declined comment on the psychiatrist episode. But specialists on Mr. Waldheim's case have

said there is strong reason to believe that the agency, along with the intelligence services of the Soviet Union and Yugoslavia, had a long association with the Austrian, perhaps for as long as 41



Kurt Waldbeim

Pinochet's Shadow Burdens Chile's Press

By Shirley Christian New York Times Service SANTIAGO - When Juan Pab-

lo Cárdenas, a magazine editor, checked in recently for his usual night in jail under a sentence for offending the military, he was ar-

climate the press appears to be publishing anything it might want to publish, Mr. Cardenas's problems reflect the fact that the government of President Augusto Pi-oochet still has the power to arbitrarily punish those who do so. Mr. Cárdenas, editor of the weekly magazine Analisis, is the most celebrated of the 28 journal-

ists charged or serving sentences for things they have written or pub-lished. Most, like Mr. Cardenas, are being or have been processed by military courts on charges of offenses to the armed forces. The great majority are free on

bail while fighting their cases, with only Mr. Cardenas currently serving a sentence on conviction. On July 8, Mr. Cárdenas will

have completed a year of his 541-night sentence for an editorial he wrote two years ago describing the Chilean Army as "the army of oc-cupation of Pinocher" and asserting among other things, that the Pinochet government was repressive and lacked civilian support.

But throughout his sentence, which he serves by sleeping in jail from 10 P.M. to 7 A.M., he has img human rights abuses.

of helicopters and other military a wide range of other control mech-equipment from France, South Af-

in Valparaiso, the port city that is the home of the Chilean Navy, had as a period of transition to democ-mr. Cárdenas arrested on May 25 racy, the government has the right

until the court learned that Mr.

rica and Israel In reaction, the naval prosecutor called transitory laws, which gov-

offending the military, he was arrested on another charge and taken to jail in another town.

Although in Chile's pre-election climate the press appears to be publishing anything it might want in the properties of the press appears to be publishing anything it might want in the court learned that Mr.

Mr. Cardenas arrested on May 2 racy, the government has the ngut to approve or disapprove the starting of new publications and can order journalists not to publish certain things on national security anthor of the article, Ivan Badilla, until the court learned that Mr.

In addition, military prosecutors

During nearly 15 years of military government, Chile has experienced only brief periods of prior censorship, but the government has a wide range of other control mechanisms at its command.

sick when that issue of the maga- charging journalists with offenses zine was prepared. He was freed to the armed forces than was possiand the assistant editor. Fernando ble under civilian governments. Paulsen, was arrested. Mr. Badilla and Mr. Paulsen oow are seeking release on bail.

readership of his magazine at 1987, two daily newspapers linked 25,000 to 40,000, identifies himself to the political opposition began to freely as an opponent of General publish. Several of the most lispendent. He said the objective of tend-to radio news programs are Analisis was "to collaborate in the independent of the government. establishment of a democratic re-gime" and that he considered its ernment-controlled, also has begun

Cárdenas had been out of the office have been much more aggressive in In 1983, the government began

to case the application of these rules, and opposition magazines Mr. Cardenas, who estimates the like Análisis proliferated. In early

most important role to be publicizing human rights abuses.

to open itself to opposition views.

With Chileans expected to go to

nisms at its command.

Under the constitution's soalled transitory laws, which govadvisers and numerous campaign The government contends that the Chilean press now is function

ing freely and that the public i getting all the information it need OF WARES. Foreign Minister Ricardo Garcia said during a recent conversa-tion with foreign journalists that

the Chilean press had "all the rights to inform but not to injure.

He said the fact that 28 journalists were in some stage of legal process had nothing to do with the electoral campaign and did not interfere with coverage of it. The

charges against them, he said, could have been made at any time. Another prominent editor iden-tified with the opposition, Emilio Filippi, recently won a four-year old case brought against him by military prosecutor. A charge of offenses against the armed forces was overturned by the Supremo Court in a case in which the maga

zine Hoy distributed chapters of a book by a former political prisoner. Mr. Cárdenas, 38, has attracted broad international attention with his nightly sojourns to jail. Many nights, he arrives for check-in surrounded by colleagues, other sympathizers, television crews and pho-

Earlier this month, the America playwright Arthur Miller and il poet Rose Styron left a dinner the home of the novelist Jorge Ed continued to go to his office daily and edit the magazine. In midApril, Análisis carried an article about the armed forces' purchases

The folial states are an article and edit the magazine. In midapril, Análisis carried an article about the armed forces' purchases

The folial states are an accompany Ms. Cardena whether to extend General Pinoto to jail. Visitors are not allowed in the print and broadcast media are the door. International Herald Tribune Special Financial Report



Wednesday, June 22, 1988

Luxembourg's New Challenge

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In July

he October stock market fall has oot slowed ie boom in Luxembourg's investment fund

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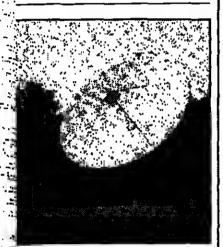
Torts to establish the Grand Duchy as a ater for captive insurance companies ap-ar to be paying off with 67 reinsurance prives now registered in the country.

Private Banks

membourg is trying to attract middle-ealthy private banking clients by emphasizg its lower fees and tax advantages.

Nordic Banks

andinavian banks represented in Luxemorg are seeking to win over the wealthy by



conomy

exembourg's concentration on special mart segments includes an ambition to become enter for a satellite-based television indus-

Tax Policy Survives **Ministerial Review**

'Harmonization of tax policy is no longer an issue. It won't happen.'

By Edward Roby

RANKFURT - Key cabinet ministers of the European Community concluded their recent meeting in Travemunde amid scant poblic interest in their home countries - except in Luxembourg where the future of Europe's No.

3 international financial center bung on the

The Trayemunde ministerial meeting was only a preinde to the EC summit in Hannover, where crucial decisions were expected on the economic integration of 12 West European countries. But for Luxembourg, it turned out to be a victory that could make even the coming summit meeting anticlimactic.

The ministers decided against making uni-

formity in taxation policy a prerequisite for achieving the EC's 1992 goal of internal market integration with unrestricted capital transac-tions across borders. This should petmit the Grand Duchy to retain many of the advantages that have attracted around 112 foreign banks, including the dominant contingent of 30 from Jacques Santer and Jacques F. Poos, the top

government ministers who also handle finance and foreign affairs, briefed members of the banking community on the good news from Traventinde. The EC ministers agreed, bank-ers were told, that there would be no linkage of taxation with liberalization as long as Luxembourg and Britain opposed this.

Tax harmonization is no longer an issue. It won't happen," said Ekkehard Storck, managing director of Deutsche Bank Luxembourg , the center's leading foreign bank.

There's no linkage between liberalization and taxation. They are two different things," concluded Hans-Ludwig Jordan, managing director of the Luxembourg Bank für Gemein-

wirtschaft. "That means: no disadvantage for the financial center, no inspections and banking secrecy remains intact.

The German bankers in Luxembourg insist their financial center has so many built-in advantages—ranging from infrastructure and location to expertise and sensible banking oversight - that oo one is interested in creating a tex casis in the heart of the EC. They prefer to stress the obvious benefits Luxem-bourg banks derive from unfettered money

and capital flows. "I think the Luxembourg government itself will avoid letting it become a tax oasis," said Volker Burghagen, managing director of Com-pagnic Luxembourgeoise de la Dresdner Bank AG, which began doing business in the Grand Duchy 21 years ago as the first German Enro-bank. "One cannot make the neighbors envi-

This won't be easy, judging from what has just happened in West Germany where the government stimmed bankers, investors and small savers by unveiling plans for a 10 percent quellensteuer, a tax on interest earnings at their source. The German banks in Luxembourg now find themselves among the principal bene-ficiaries of the ensuing flight of capital from the home country.

"It's no secret that there has been a capital movement of some size out of West Germany," Mr. Storck said. "This money is seeking investment in Luxembourg and also in Switzerland,

partly because of uncertainty."

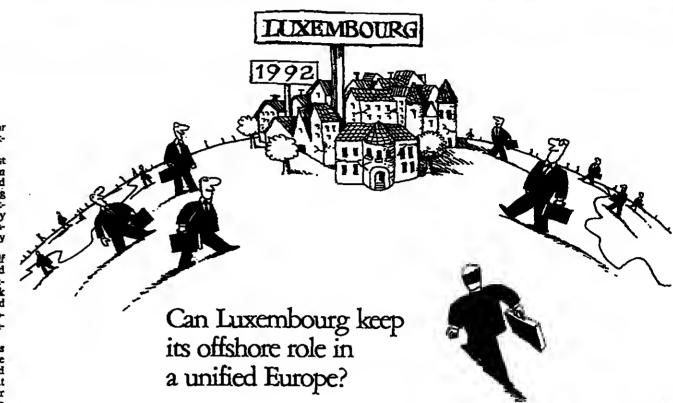
German bankers, convinced that the quellensteuer apparatus could cost as much money as it generates while damaging banking confidentiality, suspect their government might re-consider the idea. But the development comes at an opportune time for Mr. Storck's bank, which began for the first time last year offering its services to wealthy private customers.

The bank last year also launched a bood investment fund called Eurorenta that is already managing assets that have reached 4 billion Deutsche marks (\$2.3 billion), making it the fifth largest of its kind in West Germany.

Mr. Storck said the new private banking business, which has been intensively advertised in West Germany, has attracted between 1,300 and 1,400 customers, each with a minimum deposit of 500,000 marks, and he described business so far this year as "very good." Private banking and the associated prolifer-

ation of investment funds have become an important growth impulse for the Luxembourg

Continued on page 8



1992 vs. Competitive Edge

By Madlyn Resener

UXEMBOURG - As a founding member of the European Community,
Luxembourg, with a population of
380,000, has long been among the
most enthusiastic supporters of a unified En-

But as a banking center, Luxembourg has gone its own route; for the past two decades it has attracted banks with special incentives, such as a low reserve requirement, and lured investors with its lack of a withholding tax on capital gains and its bank secrecy laws, the

tightest in Europe.

Now, Luxembourg is facing the question of how to go along with European Community plans to set up a frontierless European market by 1992 and at the same time keep its special role as an offshore banking center within the

The official line in Luxembourg is that 1992 can only bring good things to the country. Now

are being abolished and Europeans can place their money wherever they like, say bankers and government officials, more money will flow into Luxembourg because of its sophisti-cated banking and financial expertise.

There is some truth to this argument, but it isn't the whole story. The stickler for Luxembourg is that EC ministers in Brussels are considering a range of proposals that could make Luxembourg a decidedly less attractive place for investment

One is for a pan-European effort to crack down on tax fraud either through the imposition of a universal withholding tax or through new pressures oo banks to disclose information about their clients. Another is a possible value added tax on gold transactions, which Luxembourg, alone among the EC member states.

does not currently have.
Such changes would shake the foundation of banking in Luxembourg. Though bankers and government officials deny that their country is e tex haven, the fact remains that Luxern-

bourg's tight secrecy laws help attract investment. And the country is oot likely to give them up without a fight,

Treasury Director Jacques F. Poos said bank secrecy is guaranteed by Luxembourg law and has recently said that the government does not plan to weaken it. "For years there have been attacks oo our law and there will continue to be attacks. But we believe that bank secrecy as it is practiced here conforms to concepts of democracy and bberty better than more coercive and bureaucratic systems," he said.

He added that this doesn't mean Luxembourg isn't ready to cooperate more closely with other European authorities in cases of suspected criminal banking activity, but that Luxembourg will oever agree to compulsory disclosures on bank accounts.

As for a withholding tax on interest, that, too, is out of the question, Mr. Poos said. He noted that any harmonization of tax rules will

Continued on page 9



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During the 1987 financial year Banque Internationale à Luxembourg once again recorded a sharp increase in its balance sheet and results.

The balance-sheet total amounts to Flux 369,887 million as compared to Flux 320,210 million in the previous financial year; this represents an increase of 15.51 %. Within this, it is appropriate to draw attention in particular to the growth in customer deposits of 22,38 % in this the Bank's 131st financial year

As regards net profit, after allocations to provisions and depreciation, BIL recorded a rise of 32.29 % as against 28.20 % in 1986 and, for the first time, broke the barrier of 1,000 million Luxembourg

This sharp rise in net profit was achieved after making substantial allocations to provisions. Among the latter, provisions for risks in respect of countries experiencing balance-of-payments difficulties are now far above the international

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	1985	1986	1987
Balance-sheet total	279,300	320,210	369,887
Customer deposits	205,875	235,350	288,010
Deposits of banks	42,825	49,573	43,689
Customer advances	65,658	78,638	82,567
Own resources, provisions and borrowed capital	18,923	23,624	27,050
Gross cash-flow*	4,221	4,582	4,363
Net profit	645	827	1,094
Distributed profit	357	472	607
Net dividend per share	fr. 335	fr. 380	fr. 430

1 £ = 65,95 Flux (May 6th, 1988)

If you would like to have a copy of the Bank's annual report in French, English or German; do not hesitate to contact our head office in Luxembourg or one of our branches.



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RESULTS THAT SPEAK FOR THEMSELVES

Millions of francs	1985	1986	1987
Balance sheet total	262,805	297,151	339,019
Total customers' deposits	166,112	184,408	219,324
Due to banks	68,205	77,294	81,300
Loans and advances	56,998	60,660	64,356
Own funds and provisions (1)	17,212	19,894	23,106
Cash-flow (gross) (2)	3,881	4,283	4,564
Net profit for the financial year	556	646	. 751
Dividends	231	265	330

(1) Including Ioan capital (subordinated Ioans)
(2) Net profit, taxes and allocations for depreciation and provisions released

Banque Générale du Luxembourg, one of Luxembourg's largest universal banks, continued to expand steadily during the 1987 financial year. It consolidated its strong position in the domestic market while at the same time successfully developing its international

Customers' deposits increased at an even faster rate than in previous years. A growing number of investors sought the advice of the Bank's portfolio management specialists for the investment of

Numerous collective securities investment undertakings chose Banque Générale to act as domicile, accounting and administrative agent and depositary for their assets.

Banque Générale continued to play a key role in the Luxembourg capital market managing six public bond issues and thirty-two private placings. In the international bond markets it strengthened its position as a member of issuing syndicates and as paying agent and market maker on the Luxembourg Stock Exchange. In this capacity the Bank was called upon to handle 250 new bond issues in 1987.

The Bank remained an active participant in the secondary market in Euro-bonds, especially for a substantial number of issues denominated in ECUs, thereby helping to maintain the liquidity of

The Bank's securities trading activities showed remarkable growth in the wake of the upheaval in the stock markets. The securities department were able to satisfy customers' requirements at all times during the turmoil of those events.

With a view to 1992, Banque Générale dn Luxembourg has accentuated the international character of its network by opening a representative office in Frankfurt. The Hong Kong office gives the Bank access to the rapidly growing markets in the Far East. Banque Générale du Luxembourg (Suisse) celebrated its fifth anniversary with a further year of expansion.

The Bank increases its share capital at regular intervals. In this way it ensures its future growth while at the same time preparing itself for the advent of the large internal market within the EEC.

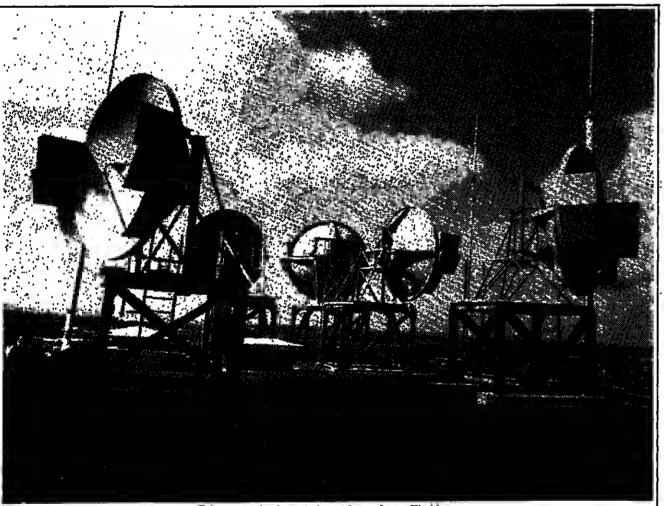
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Funds Draw Interest Outside EC

By Madlyn Resener

UXEMBOURG — Last October's crash on world slowed the boom in Luxembourg's investment-fund business; if anything, the pace has quickened.

The number of funds registered in Luxembourg rose from 382 in November to 472 in June, and the pile of applications at the Luxem-bourg Monetary Institute has grown to 122. About 33 applica-tions, from Japan and EC coun-tries, should be approved soon. On average, the Institute re-ceives 12 applications a month

from promoters hoping to set up shop in the Grand Duchy. And Treasury Director Jacques F. Poos sees investment funds as one of the major growth areas of the next

Compared to funds elsewhere, Luxembourg's funds did not suffer much in the crash, primarily because more than half are invested in bonds. Just how badly they were hit is hard to determine. According to Institute figures, total assets of the funds fell 10 percent in November. Today, fund assets exceed \$34 billion.

Funds registered in Luxembourg enjoy some key fiscal advantages. They are not subject to income tax and pay only a one-time registration tax of 50,000 Luxembourg francs (\$1,388) plus a yearly charge of 0.06 percent on net assets invested. There is no turnover tax on se-

curity transactions, and funds are permitted to invest in a large variety of assets -- from money market instruments in various currencies, financial futures, energy, technical innovation and venture capital, and real estate development. In addition, the funds have a legal status, which means they can be quoted in stock exchanges.

With such incentives, it is not surprising that nearly all the banks in Luxembourg either have funds in place or are planning to establish one this year. The new emphasis on private banking in the financial sector has made banks especially keen to find ways to manage this new bulk of assets effectively and economically, and one way is to group smaller inves-tors into funds.

Poul-Erik Beck-Sorensen, gen-eral manager of Den norske Creditbank, said, "Investment funds are an interesting tool, especially for the small investor because he can get higher returns."

But the real reason for the interest in Luxembourg is a forwardlooking update this year to the law governing the funds. It not only sets clear guidelines but also states that any fund registered in Luxembourg will be able to market into other markets in the European Community as of fall 1989.



The Luxembourg Stock Exchange.

This gives Luxembourg a dis-tinct advantage over non-EC financial centers, such as the Channel Islands, and it makes Luxembourg particularly attrac-tive to banks in non-EC European countries, which hope to use Luxembourg as a springboard into other EC markets. Credit Suisse and other major Swiss banks are running important investment

funds out of Luxembourg. Fastest-growing among the funds are the Societes d'Investissement à Capital Variable (Sicavs) limited liability companies with variable share capital and one of three distinct investment vehicles recognized by the 1983 law that established a framework for the operation of funds and provided some tax incentives for them. (The other two groups are the Fonds Communs de Placement, similar to a U.K. unit trust or U.S. mutual fund, and a general category lumping together all companie offering securities or other instruments of collective investment.)

Sicavs are more flexible than other funds because their shares can be bought and sold without shareholder approval. From December 1986 to December 1987, the number of Sicavs registered with the Luxembourg Monetary Institute doubled from 110 to 222.

According to Opal Statistics Ltd., a London-based fund analyst, the best-performing offshore fund over the past year was the Luxembourg-domiciled Japao Opportunities Fund, one of 17 funds grouped under an umbrella called Mercury Selected Trust-Japan Opportunities Fund.

It is dollar-denominated and invested entirely in 22 smaller Japanese capitalization stocks. The fund was up 48.1 percent in June over June 1987, due in part to the spectacular growth of these stocks on the Tokyo exchange. With assets of \$380 million, the fund is registered at the Banque Interna-tionale à Luxembourg but managed from S.G. Warburg's Tokyo office, according to a director of Warburg Asset Management in

Luxembourg has remained primarily a place of incorporation for funds that are actually managed by fund directors elsewhere. Mercury Selected Trust, for instance, is run out of S.G. Warburg in London. These funds choose to register in Luxembourg because of its tax advantages, but also be-cause it is one of the few countries that has a legal coocept of umbrella funds or Sicavs. But this use of Luxembourg just

for domiciling may be about to change. Luxembourg authorities have drawn up a directive that would require the central administratioo and control of funds to be in Luxembourg. Fund directors are still negotiating with the Luxembourg Monetary Institute to see exactly how this will work, but many British fund operators, in particular, are worried, since they now use their offshore office in the Channel Islands to administer and manage their funds.

One asset management group, which is probably typical of others, estimates that it would be required to transfer its staff of 20

persons based in Jersey to Lin bourg, if other arrangements as subcontracting the work
Luxembourg institution or be worked out.

"Luxembourg may have she self in the foot on this one," at London-based director. Banks in Luxemboure, how

er, are eager to take on more sponsibility for managing fun-Kredietbank S.A. Luxemb geoise, which keeps the book dozens of funds, is negotia with several Spanish banks want to organize a Luxembo based fund but do not have ment of British fund open said Damien Wigny, Kred bank's executive director, and dietbank hopes to offer its

management skills. "To increase the credibility Luxembourg as an important: ter for iovestment funds, we lieve it is important not only administer but also to make them, because then we can deto be a real center, not just alf. en business," he said.

Such change may come just time since other European cei could soon become as flexible. Luxembourg in order to att. the lucrative funds business.

An unexpected rival could c ... from Dublin. According to a l: don fund manager, the Irelanc dustrial Development Authori gearing up to attract new l business by sending out broch touting Ireland's climate for fir cial investment and offering cial tax breaks on funds.

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Tax Policy Survives Early Reviet CONSOL

Continued from page 7

financial center. The funds are positioning themselves for the start of an integrated unitary market that will let them operate anywhere in the EC after October 1989, and the number of funds established in the Grand Duchy grew accordingly to 405 at the start of this year from only 269 in 1986. Fund assets

The Bank for International Settlements reported that the combined foreign currency assets of the 127 Luxembourg banks increased by \$27 billion to \$155 billion in the year ended last September, maintaining the Grand Duchy's No. 3 position among Europe's inter-national financial centers with a 10 percent share of the European segment of the Euro-

The German banks, which account for close to 40 percent of the center's foreign assets, also make Luxembourg the leading Euro-DM center. Worldwide, the U.S. dollar dominates the Euromarket with a share of 75 percent compared with only 8 percent for the Deutsche mark. But Eurodollars make up only 36 percent of the Luxembourg center's foreign assets.

Bankers cite signs of a revival in the Euro-

lending business and an upsurge of issuing activity in bonds denominated in Luxembourg francs as other trends that are influencing the center's business.

New volume of Luxembourg franc issuing was up 24 percent last year to the equivalent of 2.7 billion marks. Jitters over interest rates and the dollar exchange rate, meantime, led last year to a decline in Eurobond issuing volume that started with a collapse in the market for dollar-denominated floating rate notes and ac-quired a new accent with the equity market crash last Oct. 19.

The dollar's share of Eurobond issue volume slid to around 40 percent last year and just over 36 percent the first quarter of this year from 63 percent in 1986; while the mark, with an 11 percent share last year and close to 18.6 percent in the first quarter, and the yen, with 16 percent in 1987, grew in importance. Eurobond issuing volume dropped by nearly a quarter to \$141 billion in 1987.

Consortial credit, as the obvious alternative to the discredited FRN's, simultaneously surged to \$89 billion from \$53 billion in 1986 in volume of new loans.

"Some speak of a renaissance of the Euro-credit business," said Mr. Storck, who named a couple of large East-bloc loans and corporate credits in which his bank led the syndication. His bank's credit volume, however, in step with the 19 percent decline in the value of the dollar against the mark, dropped by 15 percent last year to 14.8 billion marks, and assets shipped 2.1 percent to 23.6 billion marks.

Mr. Burghagen, whose bank's assets dipped to 18.8 billion marks from 19 billion marks in 1986 amid stagnating credit volume, said the revival of the Eurolending business is a trend that will take some time to become visible in the bank balance sheets.

Commerzbank International S.A., however, was able to report a 12 percent increase in its lending business to 9.2 billion marks with assets just slightly higher at 17 billion marks.



The Compagnie Luxembourgeoise de la Dresdner Bank, the first Wi German bank in the Grand Duchy, has been in Luxembourg for 21 year



rector of the Dresdner Bank.

Operating earnings rose 8 percent as higher dealing profits offset weaker net interest in-

The underworked tax collectors of Luxembourg got a big surprise this year when a few of the big German banks announced they planned to repatriate a dividend for 1987 to their foreign parent institutions. Dresdner paid a 20 percent dividend, or 32 million marks, after reporting operating earnings of 240 million marks.

The Deutsche Bank unit paid its first ever dividend of 37 million marks although 1987

operating earnings had dropped 20.7 per or 230 million marks. Bank für Gemeinsch Luxembourg said it remitted an 8 percent d

The new phenomenon of repatriating prits, and thus paying taxes, suggested that banks have now built up comfortable results and the Prophysical to the prophysical to the prophysical taxons and the prophysical taxons are prophysical taxons and taxons are prophysical taxons and taxons are prophysical taxons and taxons are prophysical taxons are prophysical taxons and taxons are prophysical taxons against souring loans. Mr. Burghagen three straight years, 1985-1987, of excell profits permitted the Luxembourg bankt

offset lending risks with provisions.

In view of interest rate trends and T World debt that has inched up to around trillion, the German bankers expressed pe mism about prospects for solving the sovert debt problem any time soon. But they said! their banks' risk provisions, which are come dated globally, were appropriate, if not su

The banks also complained that Eurole ing conditions, despite rising credit dem worsened last year with the average main estimated by the Organization for Econo Cooperation and Development for mid and longer-term Euroloans slipping to (percent amid intense competition and h liquidity.

Mr. Storck, whose bank is particular

strong in the international credit business, \$ the Deutsche Bank unit would contint strengthen its position this year. "We texpect to raise earnings," he added.

Mr. Burghagen said Dresdner, on the boof the first five months, was off to a "very g

start" in 1988 and that earnings were man "higher than last year's." He said the bank" performing extraordinarily well in all its III businesses, including credit, private bank and trading in currencies and securities.

EDWARD ROBY is the English language (:) tor of Vereingigte Wirtschaftsdienste Gmbl., economics news agency based in Frankfurt.

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Unified EC n '92 Poses hallenge

Continued from page 7

a unanimous decision from EC mem-

changes are certain in Europe after by which time the EC countries have dged to remove all barriers, such as exange controls, to further free capital moveents within the 12-nation bloc and allow mks to operate in any member state on a

ngle license. Last week EC ministers agreed to allow free replation of capital throughout the commuty. Under the directive, to be implemented in ght EC countries beginning in 1990, EC na-mals will be able to open bank accounts or srow money anywhere in the community. he rule will be applied in the four "poorer" propesn countries later: in Spain and Ireland 1992 and in Greece and Portugal in 1995. while no one is counting on complete tax in the EC, indirect taxes, such the value-added tax and taxes on corporate ofits, will be adjusted to smooth out differices; while direct taxes, such as those on pital gains and inherited wealth, will probay be left untouched. Other possible changes clude a central monetary authority, a single

mency and harmonized interest rates. Paul Schminke, managing director of the indesbank Rheinland-Pfalz in Luxembourg. id that 1992 "is a non-event for me." "Luxembourg is a very sound financial place tich has never built its business exclusively

tax advantages. We have a natural base of rsiness here, and that has no reason to range," he added.

. Mr. Schminke noted that West Germany has relaxed some of its banking regulans, such as lowering the minimum reserve quirement, but Loxembourg still offers :: mks more freedom. German law makes tradg in currency options highly risky for banks, e example. And West Germany has just inoduced a 10 percent withholding tax on inter-

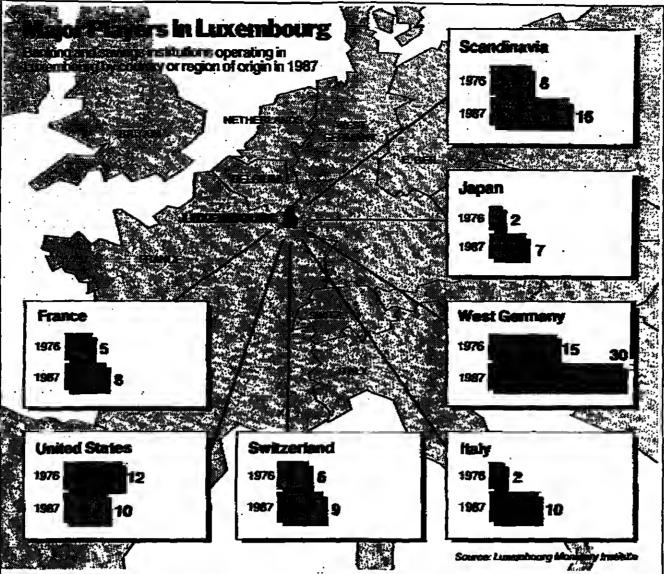
t and capital gains.

Volker Burghagen, managing director of the ompanic Luxembourgeoise de la Dresdner ank AG, said: "Big, international wholesale isiness and big private investment banking ill continue to go to Eurobanks in Luxemourg, which have the experience and knowbw that a commercial bank in upper Bavaria ist can't offer."

Luxembourg will retain an advantage over ther EC countries because of the absence of a inimum reserve requirement, which, along ith a favorable legal environment, attracted ig German and other international banks to he Grand Duchy in the first place, Mr. Burgh-

en said. Phu Pham, managing director of Credit Lynnais in Luxembourg, said, "One of Luxem-ourg's strong points is its political and eco-omic stability and the business sense among "s civil servants."

"Contacts with authorities here are easy,"



said Jean Krier, a senior executive vice president at the Banque Internationale à Luxembourg and president of the Luxembourg Bankers Association. "You don't have to move through intermediaries. You can get the fi-

nance minister directly on the phone." This consensus that the financial sector is a vital part of the country's development should help the Grand Duchy attract a big share of the expanded European capital market that Mr. Pham and others expect to see in 1992.

Luxembourg's new directive on investment funds is one example of the country's flexibility, bankers say. The directive is the first in Europe to establish a flexible legal framework for funds, and it anticipates 1992 by allowing operators to market into other EC countries.

Damien Wigny, executive director of Kredietbank Lexembourgoise, said, "The new law shows that we can go fast and adapt ourselves quite quickly when we need to."

Many bankers expect Luxembourg to agree to some kind of tax harmonization, but they helieve that tax rates will still vary from one FC country to another, much as they do from one Swiss canton to another. In that case, Luxernbourg could impose a VAT on gold transactions, but make it lower than other countries'

in order to keep a competitive edge, bankers But others fear pressure from other EC

countries will continue to rise.

They are bound to ask the question, in a unified Europe, why should one country be allowed to have bank secrecy," said a Scandinavian banker. "They will argue that tax authorities in one country should have access to all other countries in the Community."

According to this banker, Luxembourg government officials, in an effort to play down the issue, have asked banks not to use Luxembourg's bank secrecy laws and its lack of withholding tax in their advertising brochures to private clients

Bankers agree that the EC needs a financial center like Luxembourg and warn that it would be rash for EC officials to try to change things. "If they do, the money will simply leave the EC and go to Switzerland, the Bahamas, the Cayman Islands or Liechtenstein," noted one

So far, that seems a long way off. The best proof that Luxembourg is likely to remain an important banking center is the increasing interest shown by foreign banks in setting up operations in the country. Attracted by new

opportunities in private banking, Amro of the Notherlands recently became the first Dutch bank to arrive, while TSB Group of Britain set up the first British shop with the establishment of TSB Private Bank International in January.

The number of banks registered in Luxen bourg rose from 127 in December 1987 to 133 in June, and four applications, from banks in Belgium, France and West Germany, should be approved soon.

Total bank assets stood at 8.95 million francs (\$2.6 billion) at the end of March, a 13 percent increase over March 1987, The financial sector now represents 25 percent of the Grand Duchy's government revenues and employs 12 percent of the working population.

Luxembourg authorities are preparing even more incentives to banks, such as a reduction of the corporate tax to 36 percent this year. To meet a shortage of personnel, particularly middle managers, the government has eased requirements for working papers and set up postgraduate management training programs. All of this makes bankers confident that 1992 will bring new business to the country.

MADLYN RESENER is a financial journalist

Grand Duchy Attracts Reinsurance Captives

By Jacques Neher

UXEMBOURG — Efforts begun four years ago to establish Luxembourg as a center for captive insurance companies in Europe appear to be

paying off.
Though the new industry employs relatively few people, it promises to provide a rich source of tax receipts for the government by the mid-

The business began developing after a law was enacted in 1984 that established the possibility for industrial companies to create captive reinsurance companies in Luxembourg.

In such a way, the companies could partly

self-insure, indirectly paying much of their premiums for business risks, such as fire and business interruption, to their own captive insurance subsidiary, instead of to an outside

There are now 67 reinsurance captives registered in Luxembourg, almost double the 34 such companies at the end of 1986, according to Victor Rod, the Gand Duchy's insurance

The companies put up a combined 4 billion Luxenbourg francs (\$112 million) in paid-up capital, and they have already contributed 12 billion francs to 15 billion francs more to their

captives in premiums, be estimated. Mr. Rod said five applications to establish captives are under consideration, and be pre-dicted another 10 to 15 applications would be

submitted this year. "We're first targeting Western Europe," Mr. Rod said, estimating that there are about 200 companies large enough to benefit by creating a captive. A company paying insurance premi-ums of more than \$2 million, be said, would be

of sufficient size. Ultimately, he said, "there is no reason why American and Japanese companies should not also be interested."

Many American companies have similar operations in Bermada, which has about 1,500

This month, representatives from 300 Eurocean companies attended a seminar on capives sponsored by the government as part of

its marketing program to boost the sector.

The main selling points, Mr. Rod said, include Luxembourg's central location in the European Community; the country's social and political stability, a strong banking com-munity that can provide support services, mul-tilingual facilities, absence of exchange controis and the possibility of using currencies other than the Luxembourg franc-

"Our main concern is to attract a high-standard client," he said. "We're not seeking

He noted that Luxembourg law requires a reinsurance captive to put up a minimum paidup capital of 50 million francs - about 10 es the minimum for a captive in Bermuda. In addition, the company must have a Luxembourg-domiciled risk manager.
"We wanted to avoid the establishment of

mailbox companies," Mr. Rod said.

In reality, the captives operating in Luxem-bourg don't manage their own risks, but subcontract the business to a third-party risk man-

agement company.
There are now 10 such management companies operating. The first to set up business, in 1984. was Stockholm-based Sinser, whose major client was Electrolux of Sweden. Since then, nser has become a reinsurance risk manager for 25 other companies, most of them Swedish,

The industry promises to provide a rich source of tax receipts by the mid-1990s.

according to Ralph Tellov, the managing direc-

Mr. Tellov said that the government's goal of 200 captive reinsurance companies in Luxembourg is attainable.

"Four years ago, we never thought we would have more than 60 companies here four years later, he said..

Mr. Rod said that the captive industry in Luxembourg employs fewer than 100 people, but he projects huge benefits in the 1990s to the country's treasury.

Under the insurance legislation, captives are permitted to put premium income, and earnings on that income, in a special tax-free re-serve to cover future losses. Taxes kick in only after the fund grows to at least 12.5 times the average annual premium income. For some risks, the fund could remain tax-free until it reaches 20 times the annual premium income.

In operation, an industrial company seeking to establish a captive reinsurance compar must get its primary insurer to agree to hand off a portion of the risk — and the premiums associated with that risk — to the captive. The captive's manager then usually assigns a portion of that remaining risk to yet other reinsurance companies, while working with the industrial company's treasurer to invest the premiums retained.

While working to bring in more captives, Mr. Rod said he is "exploring other niches" such as pension funds - that Luxembourg could exploit in the future. There are currently no pension funds domiciled in Luxembourg.

JACQUES NEHER, a journalist based in Paris a regular contributor to the International Herald Tribune.

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CONSOLIDATED ACCOUNTS

INTERNATIONAL **BANKERS** INCORPORATED S.A. AND SUBSIDIARIES

FINANCIAL HIGHLIGHTS 1987

Consolidated Balance Sheet (in million US\$)	1987	1986
Deposits with banks	195.8	182.7
Loans and Advances	1,176.9	540.3
Securities Portfolio	39.8	34.0
Total Assets	1,539.6	822.2
Bank Deposits	690.7	308.7
Customer Deposits	581.8	355,9
Capital Resources (including Minority Interest)	177.5	123.9
Of which:		
Share Capital and Subordinated Debt	129.5	100.0

The figures of International Bankers France are included for the first time within the consolidated accounts of International Bankers Incorporated S.A.

The consolidated after tax profit for 1987 amounted to \$ 6.9 M.

Copies of complete consolidated financial statements and annual report can be obtained on application to the operations manager in Luxembourg.



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IBI Asia Holding Led. 2705 Alexandra House Chater Road Central, Hong Kong

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Private Banks: Where Less Is Worth More

By Madlyn Resener

UXEMBOURG — With its graceful bay window, polished mahogany banis-ters, and bright flowers ont front, the TSB Private Bank International of Luxembourg retains the genteel atmosphere of a fine bourgeois maison de maître in one of the city's verdant residential areas.

It is a fitting location for greeting the wealthy private clients that come to TSB for sophisticated portfolio management. Benny Larsen, the bank's managing director, likes to welcome his clients personally, before sitting down to business in the front parlor or over lunch in Luxembourg's posh Clairefontaine

At the Clairefontaine, Mr. Larsen is likely to find himself surrounded by other bankers en-tertaining their clients. Private banking is the latest boom in Luxembourg, and TSB the most recent arrival —as well as the first British bank to open up shop in the Grand Duchy.

The TSB Group of Britain decided on Lux-

embourg after an outside market study showed the country to have several advantages over Switzerland: bank costs are lower, there is no withholding tax on interest and capital gains and no value-added tax on gold transactions. Luxembourg's bank secrecy laws are as strict as — and in instances even stricter than — Switzerland's and the country is a member of

We saw that all the Swiss banks were coming here, so Luxembourg seemed to be the place to be," Mr. Larsen said.

TSB and other Luxembourg banks are targeting Europe's middle-level wealthy customers for whom Switzerland has grown too expensive and too impersonal. In addition to lower fees, the Luxembourg banks are offering highly sophisticated investment advice and

personalized service.

Clients are pampered "in ways that range from the sublime to the ridiculous," Mr. Larsen said. At TSB, he will help his clients find the best schools for their children or arrange for tickets to soldout shows in London's West

Ole Roed, managing director of Bergen Bank International S.A., will book hotels and organize sightseeing.
Such service just is not available on Zurich's

Bahnhofstrasse to investors with a mere million or two million dollars — and even the super-rich complain of indifferent treatment by their Swiss bankers.

One of Dresdner Bank's private clients is an elderly Dutch man who noticed that his contacts with his Swiss banker had dwindled over the years. The last straw came when, during a visit to Zurich, he called for an appointment and was told to show up at 10:55 A.M. He found this curious, but upon arriving, he discovered 15 other customers sitting on hard chairs in a room that resembled a dentist's

At precisely 10:55, a door was opened and he was ushered into his adviser's office. But he had scarcely begun to spread out his invest-ment papers when his adviser began looking at

Switzerland has grown too expensive and too impersonal for middle-level wealthy customers.

his watch. At 11:09, the banker abruptly stood up, shook hands, and firmly led him out.
Such stories are common in Luxembourg

"From a half a million to five million dollars, you are probably better served in Luxem-

bourg," Mr. Larsen said. Volker Burghagen, managing director of the Companie Luxembourgeoise de la Dresdner Bank AG, said of his customers, "They want to chat. They don't care whether they end up with 9 percent or 10 percent, they just want to be eated like a client, not a number."

Many of Luxembourg's private clients are retirees or expatriates. Bankers say higher salaries, the stock market boom of recent years, and inflated real estate prices have combined to create a new tier of wealthy individuals below the gener rich lend.

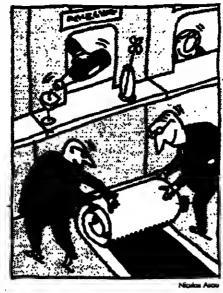
"There is a lot of real money in circulation. The liquidity is enormous," Mr. Larsen said. More savvy than investors in the past, the new rich are looking for creative investment strategies and favorable tax treatment. And concerns over the recent willingness of Swiss authorities to turn over banking information. has led them to look for alternatives to Switzer-

To reach these potential investors, bank offi-cials regularly take their show on the road. Bergen Bank, like other Scandinavian banks, has a full-time agent making the rounds in southern Spain. home to many retired wealthy Norwegians. On his first trip two years ago, Mr. Roed picked up 12 customers; today the bank has 400, representing close to \$100 mil-

The banks compete on the basis of service, but Luxembourg banks also pride themselves on their ability to make shrewd, sophisticated

investments, thanks in part to Luxembourg's relatively open banking regulations.

"You name it, we do it," Mr. Larsen said.
"Our customers can hold financial instruments in any currency - Deutsche mark, Danish krone, or Japanese yen - all of it priced to market and converted to a reference currency." Bergen Bank will make deposits in all major currencies, buy and sell equities and bonds, and even deal in precious metals, old coins and



What these bankers will not do is to touch any money that appears to have criminal con-nections. "If I get the feeling I'm blowing white dust off money, I'll say no," said one banker. Like other bankers, he checks our identification and insists on keeping the deposit for a

minimum of 30 days.

Because banks do a good job of policing themselves, "black money is not a huge prob-lem here. Most of it goes to brass plates offshore," he said.

Private banking services have long been offered by smaller private Luxembourg banks, but with the decline in Eurolending most of the big Eurobanks have also set up asset man-

The big German banks that specialized in wholesale banking and Eurocredits, syndicated loans and bond trading are moving into private banking because it is a fee-generating business," said Jean Krier, senior executive vice president of the Banque Internationale à Luxembourg, and head of the Luxembourg Bankers Association.

Paul Schminke, managing director of the Landesbank Rheinland-Pfalz, said, "We had to look for other opportunities."

While bankers say they don't sell Luxem-bourg on the basis of bank secrecy, it is clear that this remains a strong drawing point. At least one bank, Norway's Den norske Credit Bank, is considering moving its private bank-ing operation to Switzerland or Austria should Luxembourg give up its secrecy laws under

pressure from other EC countries.

"We are following this very closely," said
Poul-Erik Beck-Sorensen, the bank's general

Private banking has translated into higher commissions for banks, which are reflected in the 13 percent growth of total bank assets in March over the previous year, to 8.95 trillion Luxembourg francs (\$2.6 billion). Deposits from non-banks have risen dramatically over the past year, as much as 20 percent at some banks. Just four years after Den norske Credit Bank set up an asset-management division, private banking now accounts for one-fourth of its gross income.

So far, bankers say, the market is large enough for everyone.

But "it's very competitive today and will become more competitive, because nearly all banks are going into it," Mr. Beck-Sorensen

Nordic Banks Fine-Tune Policy

By Michael Metcalfe

OPENHAGEN — Having estab-lished a solid base for servicing the financial needs of their clients in the private banking sphere, the 16 Nor-dic banks represented in Luxembourg are embarking on a new phase in their drive to win over the wealthy: the provision of improved and more specialized back-up services.

Over the past five years, each of the banks from Denmark, Finland, Norway and Sweden has proved adept in creating a special place for itself in the increasingly competitive private banking sector, adapting and fine-tuning their corporate strategies to meet a more specialized,

and more discerning, demand for clients.

Moreover, each of the banks has pursued its strategy in terms of building up its private customer base, offering its own brand of services and developing its own product mix. As the degree of private banking emphasis varies from bank to bank, so does the proportion of profits stemming from the range of banking

At Banque Nordeurope S.A. (BNE), its re-cently established private banking department forms a small but rapidly expanding propor-

tion of the total balance sheet.

My goal is for this proportion to increase to between 40 and 50 percent of the balance sheet within the next two to three years," said Helmer Moller, head of BNE's private banking

During the last financial year 1987-88, deposits from private banking clients jumped by 82 percent, to 3.23 billion Luxembourg francs (\$90 million), while loans to private customers collateralized by securities, precious metals and the provision of investment advice were also increasingly in demand.

Because Banque Nordeurope is jointly owned by Sweden's SwedBank and Finland's Skopbank - central banks acting for their respective countries' savings banks — it can draw on a wide range of private customers from both those countries. Banque Nordeurope's clients, which now number about 400 in private banking sector, are also to be found in Britain, West Germany, the Benelux countries, Spain and France.

The services offered by Banque Nordeurope include discretionary and advisory portfolio management, loans using all types of securities and cash management.

"Of course all the banks involved in the private banking sector offer broadly the same kind of services, but the distinction lies in the way you sell and then handle these services after having sold them, because it's not too difficult to attract clients; it's harder to keep the clients," Mr. Moller said.

He added that the medium to small customer finds a Luxembourg private account more attractive than a Swiss one because Swiss banks require too large a minimum deposit and Swiss private banking fees are higher. "Our main goal is to offer high-quality advice and services in the traditional fields of

private banking," Mr. Moller said, Widening the range of investment instru-ments available to the private customer, as well as improving the quality of existing services, are also key objectives for the Nordic banks. "We are currently in the phase of trying to



improve the quality of our private banking services, and also the range of services, adding on other products, including investment funds. the latter being very much tied in with the development of Luxembourg as a center for unit trusts," said Ole Roed, managing director of Bergen Bank International S.A., one of the Norwegian banks represented in the Grand

Bergen Bank International, which has seen its personal customer funds jump from \$75 million last year to current levels of around \$100 million, is also marketing in other parts of Europe in a bid to attract a wider geographical spread of clientele, particularly in view of the creation of a single internal European market and the free flow of capital scheduled for 1992.

As private banking has assumed a far greater significance in Luxenbourg over the past several years, so competition for the market has ntensified, also among the Nordic banks.

"There is no question that competition in the private banking sector is sharpening and we welcome it; it also increases the emphasis on private investment banking in Luxembourg, which is of help to everybody involved in this sector," said Jesper Klinting, head of investment banking at Privatbanken International (Denmark) S.A.

The Danish bank is emphasizing the service aspect of private banking, Mr. Khinting said, by offering "a personalized service covering the broad spectrum of private banking services, including currency deposits, Euromarket instruments of all varieties, investment advisory services, portfolio management and fiduciary services.

The need to provide improved back-up services and sophisticated technical support systems for the more discerning private banking customer prompted Privatbanken to increase its Luxembourg staff from 60 to about 110 last year and to move to larger premises in October. But the private banking divisions of Nordic subsidiaries in Luxembourg do not cater only

to the financial needs of the high net we individual, expatriate or tax exile. Many them are booking the advantages gained in the provision of legal and tax advisory servi

"It is an often overlooked fact in the resh. private banking that legal and tax aspects a a vital role in the considerations and strate of wealthy Scandinavians driven from § home countries by crushing tax burdens." one senior Nordic banker in Luxembourg

The area of private banking, including provision of legal and tax advisory services: proved lucrative because, whereas bank desulation and financial market liberalization have removed many barriers to Scanding. corporate banking, relatively severe for exchange controls restricting the flow of e tal by individuals of the Nordic countries: remain in place.

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However, the customer base of many of . . Nordic banks' Luxembourg subsidiaries, a still predominantly expatriate Scandings' living in other parts of Europe, is widening include other wealthy individuals.

Branching out into new areas of per banking activities has also encompassed fast-growing investment fund sector. Seven the Nordic banks based in Luxembourg added this to their banking services.

added this to their banking services.

For the Swedish banks, including Skand viska Enskilda Banken, Svenska Handels, ken and PKbanken, maintaining subsiding in Luxembourg has in the past meant printing meeting the financing requirements of Swedish companies and their network of subsidial abroad. But here, too, the provision of periodical banking services catering to wealth individuals is playing an increasingly interest.

MICHAEL METCALFE, a journalist base Copenhagen, is a correspondent for Bush-International.

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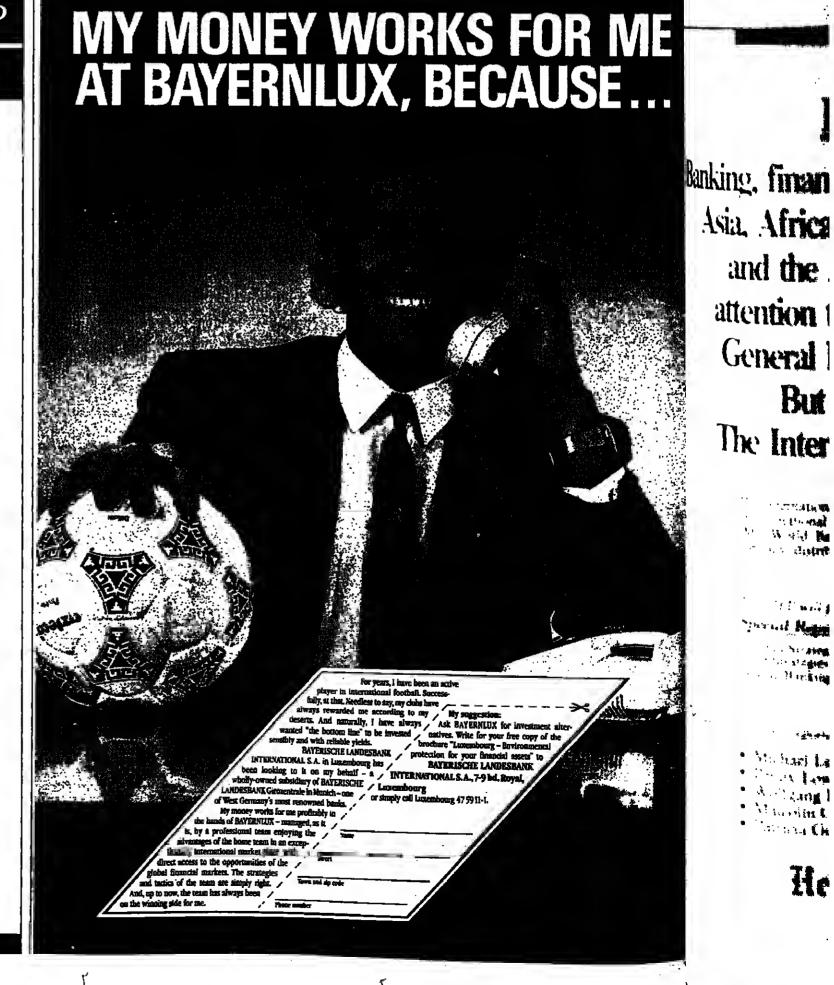
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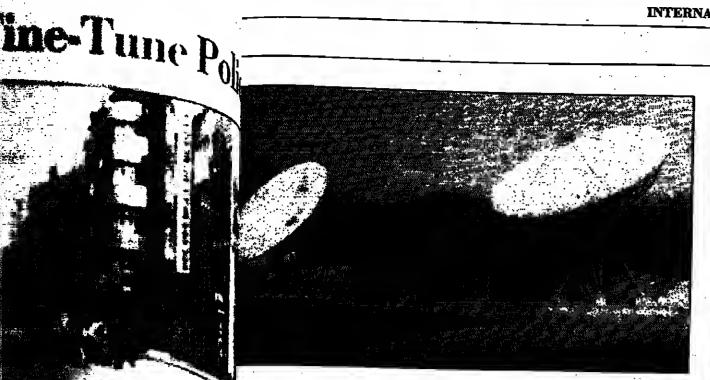
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rom Steel to Satellites, **L'lanners Play Niches**

By Jacques Neher

UXEMBOURG - Like a small company that prospers by concentrating on special market ents. Luxembourg, too, is eding by playing the niches. economy is among the strono the world, and much of the at can go to government planwho sought out and then de-ed niches for Luxembourg ess and industry.

rile proceeding over the past le with a restructuring of d steelworks — the backbone Luxembourg's iodostry ghout this century — the nment has focused on banknotual funds, insurance and wisual industries as fields in Luxembourg could special-

a result, this country of 00 inhabitants has almost no ployment and no inflation, jobless rate, according to sury Director Jacques F. is only 1.5 percent and is to drop further this year, Luxembourg, by far, the i unemployment rate in the pean Community.

-ce increases are likely to be to "0 to 1 percent," while Mr. projected overall economic th of 2 percent to 3 percent ear, a growth rate that would e higher than Luxembourg's mean neighbors.

ile merchandise trade conis to be in deficit, the surge in es trade more than makes up . In 1986, the last year for

surplus by 40.5 billion Luxembourg francs (\$1.13 billion).

Due to the financial services sector, Mr. Poos said the government is running a balanced budget. Looking to the future, he said there is now a "margin of maneu-ver" to reduce taxes.

Between now and 1992, the government will be proposing to reduce certain categories of taxes, such as corporate and income tax-

Banking, the country's bright spot over the past several years, continues to grow and diversify, though at a slower rate than in previous years. One braking force to growth, bankers say, is the lack of qualified personnel

You can't just take a steelworker you don't need anymore and put him in banking," said one The major banks recently re-

ported 1987 after-tax earnings increases of 15 percent to 30 percent. Yves Wagner, an economist with Banque Generale du Luxembourg, predicts similar gains for 1988. "I don't see a lot of things changing," he said, noting that the boom in mumal funds has done

much to prop up bank profits. The number of mutual funds domiciled in Luxembourg has grown steadily since 1983, when there were 99 such funds totaling 303.3 billion francs. In 1987, there were 121 new funds established. bringing the total to 382, with combined assets of 1.112 trillion

A Luxembourg Monetary Insti-

actual fund management is still done in London and other financial centers, but he said a growing portion is likely to be handled here

Banking and related financial services employ 10.3 percent of Luxembourg's 170,000 workers, compared to less than I percent in 1947, according to George Als, director of Statec, the government statistics office. However, the sector contributes 13.5 percent to the country's gross domestic product.
"The most explosive phase is behind us," Mr. Als said, "The

as expertise grows.

He noted the rising employment curve of the financial institutions and the declining curve of the steel industry intersected last year at

sector's growth will be slower from

around 12,000 jobs. Arbed, whose employment peaked in 1974 at around 29,000 workers, now has only 11,500 at its Luxembourg steelworks, and that figure is set to be thirmed to 10,000

The company, which returned to profitability in 1984 after losing 16 billion francs between 1975 and 1983, is expected on Friday to report losses for 1987 due to weak steel prices and poor demand in its export markets. However, analysts believe a strengthening in prices will help profits bounce back in

a key financial role in Arbed's restructuring, now owns 32 percent of the company's capital, against only 2 percent before the restruc-turing. Société Générale de Bel-countries by companies leasing mte official said that most of the gique, the giant Belgian holding



The Astra satellite station in Betzdorf, above left; the recently restructured Arbed steelworks, the backbone of Luxembourg's industry, above.

company, is the largest private shareholder, with 25 percent. ertheless, the venture could provide a big boost to the govern-ment's efforts to make audiovisual In the longer term, Arbed may face further restructuring, even a one of the country's more importotal retreat from primary steeltant niches for the future.

making, as its domestic sources of "We're well situated to play a central role in the domain of auiron ore runs out by the year 2005. While industrial output fell 1.1 diovisual, just as we have in finanpercent last year, due mostly to cial services and steel," Mr. Poos Arbed's performance, the country's building and construction industry soared by 15.6 percent, and SES, which has raised 7 billion francs from its 11 shareholders Mr. Wagner said the strong demand in the sector, particularly for new housing, should continue throughout 1988. and loans, earlier this month signed contracts to lease out the

first three of the satellite's tran-

sponders to Sky Television, which

taken an option on a fourth tran-

Also giving the project a boost

was the announcement at the same

time from Amstrad Consumer

Electronics PLC that it would

market an antenna and receiver

system that could capture Astra's

signals for as low as £199 (\$338).

Meanwhile, Luxembourg is noping to become a center of satellite-based television industry.

The Société Européenne des Satellites (SES), a multinational joint venture based in Luxembourg, hopes to place its 16-channel Astra television satellite in orbit this November via an Ariane 4 rocket, SES, founded in 1985, has had to push its lannch back because of Ariane's technical problems over the past two years.

The satellite would beam programs in several languages direct to homes with special receiving antennas throughout most of Western Europe.

Most of the actual programtransponders on the satellite. Nev-

ment in the Grand Duchy could be greater if the Bank of Italy relaxed its monetary policies and eased the movement of money abroad, a move that is the anyway with the European Community's decision this month to free the export of capital by 1990 in most

said Nicolo Patrone, director of the Luxembourg branch of the prestigious Turin-based Istituto San Paolo, "all the activities of the private banking sector that were developing in Luxembourg suf-fered a sudden arrest" with the October stock market fall.

"There were no positive aspects at all to last October's stock market crisis for us Italian bankers in Luxembourg," be said. "The immediate effect was to stop buying, and this was reflected inevitably on the bond market, in the sense that businesses found it more difficult, if not impossible, successfully to offer issues. For though the big names continued to issue bonds with success - recently there have been large EC and EBI issues — everything has become more difficult for everybody else."

For the large company or private investor, at the moment it is best to wait for better times, because the Italian investor is reluctant to absorb new issues - except for the biggest corporations

and governments," he added. But the real question regarding the future of Italian involvement plans advertiser-supported pro-gramming. Sky Television has also in Luxembourg's financial mar-kets," Mr. Patrone added, "is whether the Italian economy is still in cootinual expansion. The Italian presence on the market depends on this, and we are rather uncertain about the answer to this

> bourg-based Italian banking community have noticed a discrete up-

Italian Investors Wary

By Dalbert Hallenstein

ILAN - After 12 finance through the issuing of uncertain months, bonds and are increasingly turnltalian bankers in Luxembourg say that their continued presence on the market depends ultimately on the Italian economy's continued

Luxembourg officials, mean-while, claim that Italian involve-

"As far as we are concerned,"

Other members of the Luxern-

turn in requests for loans. This is particularly true of middle-sized companies that now cannot raise

ing to the raising of syndicated "One could safely say that what has been lost on the bond market has been compensated for in the issuing of loans," said a banker

who refused to be identified. Many members of the Italian banking community in Luxem-bourg have also noticed that an companies are seeking medium-term loans through the Luxembourg-based Italian banks for purely financial reasons, such as for capital increases, rather than for productive investments in new

plant or technology.

But despite the relatively bad performance of the banks on the exembourg market over the past year, oone of them has complained of an actual downturn io business turnover, only of a level-ing off of expansion and of a cer-

And, significantly, other Italian banks are trying to open branches in Luxembourg confirming a sol-id confidence in the future of this financial center.

"There are two or three leading Italian banks," said Pierre Gra-migna, an official at the Luxembourg Foreign Ministry, "who would open here tomorrow if it were not for the restrictive policy of Italy's central bank, the Bank of Italy, which is still successfully trying to keep them at home, but we hope this will all change in

Complaints about the restrictive policies of the Italian monetary authorities are also common in Italian banking circles in Lux-

"A certain liberalization by the government of the movement of money abroad is oow under way," said Mr. Patrone of the Istituto

in Luxembourg.

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of Luxembourg. 2. The benefits of being able San Paolo, "But remember that despite liberalizing measures taken over a year ago and then again in June 1988, Italians still have to pay a 30 percent tax on interest carned abroad, and this is a real discouragement to investing in

foreign shares or bonds."
He and other Italian bankers expressed some doubt as to the real commitment of the Italian monetary authorities to liberaliz-

ing the free flow of capital by "I doubt that it will abolish the tax discouragements to foreign investment" before then, he said.

Meanwhile, the Luxembourg thorities are continuing to press ahead with their program for the diversification of the Grand Duchy's general economy through the development of sophisticated small and medium high-technol-ogy industries and of service activties such as transport and tele-

Clearly Luxembourg, in the light of the 1992 liberalization deadlines of the European Community, has no intention of depending solely on its financial

In June, the heir to the Grand Duchy, Prince Henry of Nassau, led a delegation of industrialists and experts to northern and central Italy to promote Italian in-

Of particular interest to Italian iovestors is Luxembourg's planned launching of the Ariane telecommunications satellite, Europe's first commercial, private television satellite, which will offer 16 separate television channels in several languages. Coverage will take in 90 percent of the consumer purchasing power of Western Eu-

DALBERT HALLENSTEIN, a journalist based in Milan, is a contributor to The Sunday Times of

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Nous vous prions de bien vouloir assister à l'Assemblée Générale Ordinaire de OBLI-YEN, Société d'Investis Capital Variable, qui sera tenue au siège social, 10A, Boulevard

le Mardi 19 juillet 1988 à 11 heures et qui aura l'ordre du jour suivant:

l. Recevoir et adopter le rappon de gestion du Conseil Administration pour l'exercice clos le 31 mars 1988. Recevoir et adopter le rapport du Commissaire pour l'exercice clos au 31 mars 1988.

3. Recevoir et approuver les comptes annuels arrêtés au 31 mars 1988. Arrêter la répartition bénéficiaire de la Société. 5. Donner quitus aux Administrateurs et au Commissaire pour

l'accomplissement de leur mandat jusqu'au 31 mars 1988.

6. Renouveler le mandat des Administrateurs et du Comm pour un terme d'un an devant expirer à la prochaine Assemblée Générale Ordinaire des Actionnaires. Divers

Les actionnaires nominatifs inscrits au registre des actionnaires à la date de l'assemblée seront autorisés à voter ou à donner procuration eo vue du vote. Les procurations doivent parvenir au siège social au moins 24

heures avant la réunion. La présente convocation et une formule de procuration ont été envoyées à tous les actionnaires inscrits au 27 juin 1988. Des formules de procuration sont disponibles sur demande au sièxe social de la Société.

> Pour le Conseil d'Administration Directeur Général

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IHT 22/6

Shareholders are hereby convened to the

ANNUAL GENERAL MEETING

of shareholders of DREYFUS AMERICA FUND to be beld at the head office of Banque International J Luxembourg. Societé Anonyme, 2, boulevard Royal, 2953 Luxembourg, on July 1, 1988 at 2:00 p.m. with the

1. Submittal of the reports of the Board of Directors and of the Statutory

2. Approval of the Accounts as at February 29, 1988; appropriation of the

3. Discharge of the Directors and of the Statutory Auditor,

4. Statutory appointment:

5. Miscellaneous.

The shareholders are advised that no quorum is required for the items of the agenda of the annual general meeting and that decisions will be taken at the number majority of the shares present or represented at the meeting.

In order to attend the meeting of July 1, 1988 the owners of bearer shares will have to deposit their shares five clear days before the meeting at the registered office of the Company or with Banque Internationale Lancembourg, Société Anonyme, 2, boulevard Royal, L — 2953 Lancembourg,

THE BOARD OF DIRECTORS



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ARTS/LEISURE



By Barry James

International Herald Tribune PARIS — France's national printing office, L'Imprimerie Nationale, churns out millions of tax forms, telephone directories, passports, driver's licenses, hunting permits, identity cards, treasury bonds, examination papers and the other appurtenances of a modern state; but behind its stern officialdom and industrial bustle it has a soul.

For in an age of electronic typesetting, photo composition and satellite page transmission, it persists with the anachronistic and noble art of creating books with mov-able type, printing them on ancient presses and binding them by hand - exactly the way it has done ever since 1640, when Cardinal Richelieu founded the Imprimerie at the Louvre palace in order to "multiply the number of beautiful publications useful for the glory of the king, the progress of religion and the advancement of literature."

Pages are assembled with individual lead characters that have to be hand set, one by one, at the rate of about 1,300 characters an bour, in a frame known as a chase. From this, a direct impression is made in a print-ing press. Nearly all modern books are produced by photographic processes that eliminate most of the traditional printing

Making books by hand also entails hand carving of the punches from which the type is produced - a lost art almost everywhere else now that computers can design and copy typelaces cheaply and fast. Bin according to Christian Paput, Jacques Camus and Nelly Gable, who believe they are the last of the world's full-time type engravers, books set with computer-designed characters lack individuality.

The slight irregularities of hand-cut typefaces, Paput said, give a page a variety that makes reading easier on the eye. They are sharper, too, he said, making it possible for a person with normal eyesight to read even very small type without a magnifying

But these advantages alone are not reason enough to keep alive the fine books workshop in the midst of an organization that earns more than 99 percent of its income from its industrial production.

"We do it because it's a way of keeping our cultural heritage," said Michèle Kespi, spokeswoman for the printing office.

The printing office has a unique collection of 92,000 steel type punches — unique in that the collection is still in regular use to produce type both for a wide range of Latin faces (such as the one in which this article is printed) and for virtually all the world's written languages that do not use Latin characters. Throughout the turnooil of the French Revolution and again during the German occupation in World War II, workers risked their lives to guard the collection, which has been declared a national

The punches are used to produce molds into which lead is poured to create type characters. If a punch is broken it means that the entire set or font to which it punch engravers spend most of their time has the punches for the original Greek cutting replacement characters from blocks of steel, a process that can take

several weeks for each letter. As a mark of its determination to preserve the typographic arts, the government two years ago also set up a small design workshop to continue a tradition going back to the earliest years of printing in France.

Some of the world's most familiar type-faces have originated in the printing office Garamont, Grandjean, Luce, Didot, Marcellin-Legrand, Jaugeon and Gauthier.

Grandjean, also known as Romain du Roi, was designed on the orders of King Louis XIV, and represented monumental elegance in book design. Luce was devel-oped in the 18th century, originally because Alexandrine verse, consisting of 12 syllables on a line, required a more compressed type. Didot, developed on the or-ders of Napoleon and based on the newly introduced metric system, is still the severe typeface seen on official proclamations. Ganthier was designed in the 1950s pri-marily for use in modern art books. The designer, Louis Gauthier, passed his skills to Carnus, who continues a tradition un-

changed over the centuries. Although Richelieu formally established the printing office, its origin can be traced

JASON AVENUA belongs cannot be used unless a replacement is made for the missing letter. In order to keep the collection alive, the three and another modern plant at Douat, still another modern plant at Douat, typefaces designed by Garamont, known

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gimercials 1 as the Grees du Roi. The workshop also has a collection of all the books produced by the printing office from the first, a folio edition called "De lmitatione Christi," to a beautifully illustrated set of Buffon's 18th-century "Histoire Naturelle" to modern versions of the classics illustrated by 20th-century and

classics illustrated by 20th-century artists The books are printed in a shop that could be considered a working museum Flatbed presses built 80 years ago by Michle in Chicago are still in use. "You?" have to be sporting to operate this ma-chine," said Eduard Troscile, a workshop. supervisor, as a printer fed sheets one by one by hand into a century-old relic near. by, deftly managing to keep his lingers out of harm's way.

At one end of the room, a small wooden hand press, of a design dating back to the Renaissance, is used to reproduce copper-plate engravings. Even the most modern machines in the plant are no longer manu-factured, and have to be nursed along with spare parts made on the site.

The persistence in sticking to the old ways in the midst of the modern printing plant helps to conserve the Imprimerie's distinctive and historical character, Kespi back to the appointment of a royal printer in 1539 by King François I, who was anxious to encourage Hellenistic studies in

Fashion Strikes Ancient Mediterranean Sculpture

F ASHION is hitting head on in an unlikely area: antiquities from the ancient Mediterranean world. The hunt is on for sculpture from pharaonic Egypt, Greece and Rome, big and small, as verified throughout a \$2 million sale at Sotheby's in New York last week.

The most remarkable development is the Classical revival that came out strongly in the auction on June 15. It was inevitable in view of some of the broader trends that have been making themselves felt in the art

SOUREN MELIKIAN

market in recent years. One is the surge of interest across the board in three-dimensional art. The second is the massive swing back to figural art in general and its more academic aspects in particular. It would have been a paradox if Greek and Roman art, the ultimate sources, had been left in the cold.

The new trend explains how such prices can be paid as the \$71,150 it took to get a marble torso, headless, armless and badly mauled in the front. Richard Keresy, Soth-the portrait of a man in the prime of youth.

Scupture. In a masterpiece last week was second century, signly larger than life-size. Keresy says that the prototype is the noncommitally catalogued as "Apollo or marble torso, headless, armless and badly mauled in the front. Richard Keresy, Soth-the pour larger than life-size. Keresy says that the prototype is the noncommitally catalogued as "Apollo or trounded form with a mgn probably a 28-centimeter marble bead, size. Keresy says that the prototype is the noncommitally catalogued as "Apollo or the prototype is the size. Keresy, quoting two scholars, calls it "Ear-the young Alexander." This is undoubtedly the portrait of a man in the prototype is the noncommitally catalogued as "Apollo or the prototype is the pour larger than life-size. Keresy, quoting two scholars, calls it "Ear-the young Alexander." This is undoubtedly the portrait of a man in the prototype is the noncommitally catalogued as "Apollo or the prototype is the pour larger than life-size. Keresy says that the prototype is the noncommitally catalogued as "Apollo or the prototype is the pour larger than life-size. Keresy says that the prototype is the pour larger than life-size. Keresy, quoting two scholars, calls it "Ear-the young Alexander." This is undoubtedly the pour larger than life-size. Keresy, quoting two scholars, calls it "Ear-the young Alexander." The face is handled in a style attempting to support the prototype is the pour larger than life-size. Keresy says that the prototype is the pour larger than life-size. Keresy, some are ensonced in museum showcases are ensonced in museum showcases are ensonced in museum showcases are ensonced in the pour larger than life-size. Keresy, some are ensonced in museum showcases are ensonced in the pour larger than life-size. Keresy, quoting two scholars, calls it. "Ear-the young alexander. (32.5-inch) figure as a first-century B.C. recapture the spirit of fifth-century B.C. copy of a famous model by Polykleitos, of Classicism that spread in the Greek cities the lifth century B.C. Beautifully carved around the second century and lasted 100 tainly what is now Turkey. when seen from the back, it looks even years or so. At its best, as here, it carried

can do just as well. A Greek marble torso only 31.4 centimeters, which sold for \$23,100, could be called the success of the sale in its modest way. Missing its head and left arm, the late fourth or third century B.C. carving was also chopped off below the knee by hurried diggers. The crust adhering to the white marble suggests Greek sites on the shores of what is now moving away from Classical conventions \$74,250, almost four times the high estito get closer to real life, but its condition mate. would deter most traditional collectors.

Yet, despite the new vogue and the corresponding price rise, the greatest in Hellenistic statuary can still be inexpensive compared with the other periods of Western sculpture. The masterpiece last week was

16th century on.

For rarity, the prize went to another portrait of a young man also harking back to Classical times. Here, bowever, the choice of Lumacella, a type of black marble with white curlicues in the grain, trans-forms the otherwise restrained portrait into a Baroque fantasy. Professionals could not Turkey. The draped fragment has all the remember seeing another such piece at elegance of the early Alexandrine period, another accounts for its soaring to auction, and that accounts for its soaring to

> Rarity, however, does not in itself ensure success, not even coupled with quality, One marvelous statue in the sale showed that old art market preconceptions can still pre-vail. This is the figure of a lady of the mid-second century, slightly larger than life-size. Keresy says that the prototype is the

There was only one hitch: Those who

The latest news is that small sculpture

\$68,750, seems light by comparison with barely more than the low estimate. Meaan do just as well. A Greek marble torso

any work of comparable caliber from the sured in harder currencies, this amounts to

The irony is that at the end of the sale a a loss.

> Yet, money was flowing freely last week. When rarity was not handicapped by considerations imrelated to art, the sky was the limit. Few Egyptian works of the 11th dynasty (2134 to 1991 B.C.) are available these days, particularly polychrome low reliefs of convenient picture size that look nice on a wall. A limestone funerary stele - an Egyptian woman seated sideways raises a lotus blossom to her face - fitted that description. Despite nasty breaks and chips in the middle it doubled Sotheby's estimate, ending up at \$49,500, a huge

The big sensation later in the sale was a gold cup of rounded form with a high professionals to originate from the eastern the time to have surfaced in the Peloponne-Mediterranean, for which read almost cersus. One of the scholars says it is "highly probable" that Sotheby's cup is the one strength of labels, not of what their eye "known to have been in the Berlin market

better in Sotheby's photograph, but the front is distressingly damaged — "in antiquity," Sotheby's expert shrewdly notes, giving damage the aura of great age.

The state of t

whole row of gold and silver fakes from Iran were being sold for what they are, 20th-century productions in Achaemenid Sasanian or even early Islamic style. A gold vessel with its extremity designed in the shape of the bead of a mountain goat tried to suggest the style of seventh-sixth century B.C. Iran. It was given a prominent place in Paris in the 1961-62 Petit Palais exhibition "7.000 Years of Iranian Art." Duly illustrated in the relevant catalogue section compiled by a famous archaeologist, it was later featured in other learned publications, as were several pieces of the same ilk. Last week it was sold for \$4,180 — on the basis of its gold weight, Keresy said. There were 12 more lots in that vein. Others are still knocking around the market while pensive baubles making faces from their museum cases at investors who buy on the



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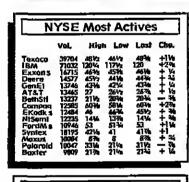


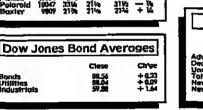


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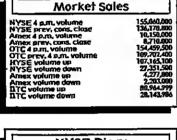
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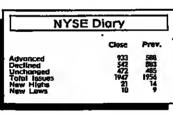
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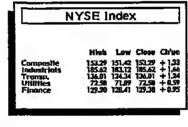


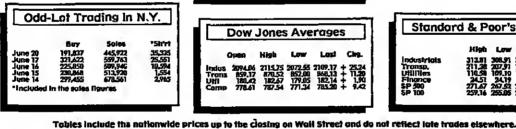


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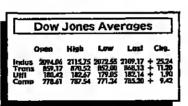


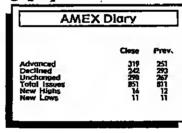


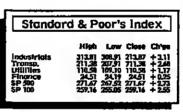






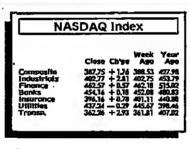


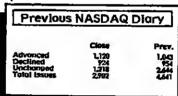




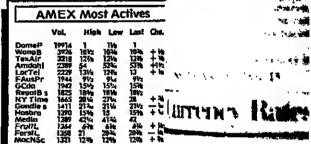
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AMEX Stock Index

12 Month High Low Stock

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NYSE Rebounds After Sell-Off

NEW YORK - Prices on the New York inflation. NEW YORK — Prices on the New York
Stock Exchange recovered from a midday selloff Tuesday and rallied to end sharply higher in moderate trading. Favorable economic data and strong buying interest late in the session underpinned the advance.

The Dow lones industrial average, which had

underpinned the advance.

The Dow Jones industrial average, which had fallen 20.09 on Monday, rose 25.24 on Tuesday to close at 2,109.17.

Advances led declines by about a 9-5 ratio. Volume was 155.1 million shares, compared with 116.7 million Monday.

Before the market opened, the Labor Department said consumer prices rose only 0.3 percent in May, slightly below market expectations.

The market reaction to the inflation data was immediate as the Dow jumped more than 12 points in the early going. The index held most of the advance until shortly after midday when it suddenly turned lower. It fell about 7 points below the previous close befure an equally abrupt turnaround.

"In order to sort such a day out, you have to look at the overall market in recent weeks," said

Larry Wachtel, a market analyst with Prudential-Bache Securities Inc. "It has been overbought since last Tuesday, and Monday we went through a period of consolidation."

Mr. Wachtel said the market simply resumed the world since the beginning of lyne" and the company agreed to be acquired by Tompkins PLC of Britain for \$56 a share.

"the trend since the beginning of June," and was assisted late in the day by money managers and institutions who entered the market as the quarter draws to a close.

He blamed a pullback in bonds for the midday retreat in stocks and gave only partial credit

Div. Yid. PE 100s High Low Quot. Cirige

for the advance to the favorable report on

look at the overall market in recent weeks," said ers targeted at small- and medium-sized compa-

AT&T added 4 to 27.
Gillette was up 4 to 37%, amid reports that

proposals to bu Gillette fend off iston Partners.	investment tirms had made by large stakes in order to help f any takeover attempt by Con-
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EDNESDAY, JUNE 22, 1988

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MADISON AVENUE

tBDO Commercials Win hief Spots in 2 Contests

Compiled by Our Staff From Dispatches

EW YORK — Television commercials by BBDO took
the chief honors at two separate competitions this
week, winning six awards at the Clio ceremony in New York and first prize at the American Advertising deration's 20th annual Addy Awards contest, held this year in

s Angeles.

BBDO, which also won Clies for a corporate ad for Du Pont d a retail services ad for PIP Printing, won more television and in Monday's ceremony than any other agency in the U.S. evision advertising segment of the Clio competition.

Chiat-Day Advertising won five television Clios, including two

th for ads for Arrow shirts and the regional telephone company mex. The fifth was an ad for ster Farms Chicken.

The television Clio for the s national advertising camancy Cliff Freeman & Partrs for a series of ads for ilips Light Bulbs that show at can go wrong when a Ib burns out.

Levine won three Clios for its work with BBDO on a Diet Pepsi ad featuring Michael J. Fox.

One of the ads showed a tronly woman wondering where the magic had gone in her nriage as her husband slurped his soup at the dinner table. ter the light went out, a snore, then a splash and finally a gurgle uld be heard as her spouse apparently dozed off into his soup.

"Two production houses, Pytka of Venice, California, and Rick vine Productions of New York, each won four Clios for evision ads.

Pytka won for its work with BBDO on Apple computer ads in home entertainment and office equipment categories, for a inmercial for Bartles & Jaymes wine cooler and for an ad for

Levine won three Clios for its work with BBDO on an ad for et Pepsi called "Apartment 10G." The ad showed the actor chael J. Fox scrambling out his apartment window and across Ific in a driving rain to get a soft drink for a pretty neighbor.
Levine's fourth Clio award was for its work with BBDO on the Ront commercial that showed a man who had lost his legs in friam playing basketball with his friends with the aid of

Clio Awards, a private concern based in New York, has been ministering the Clio presentations for 29 years.

THE American Advertising Federation's competition in Los Angeles, BBDO won first prize for an Apple Computer commercial that features a wheelchair-bound teen-ager in ping around the Venice Beach area of Los Angeles. The iming ad features 16-year-old Jody Kemp, an actor who lost use of his legs in a car accident. In the 60-second commercial, t. Kemp is seen struggling to get his wheelchair over a curb, ying records at a record shop and even falling out of the chair ring a rough-and-numble football game. Of course, he is also own at work with an Apple computer.

The ceremony, held in Los Angeles for the first time, is carded by advertising executives as among the more prestigious the industry.

Australia is setting out to modify its "Crocodile Dundee" age to attract foreign investment to its expanding industries. e rough-and-ready image of Australia is depicted by the actor ul Hogan catching crocodiles in remote northern Australia in Crocodile Dundee" films.

If you can imagine an aging Paul Hogan," John Button, inster for Industry, Technology and Commerce, said Tuesday, that we are saying is that as he gets older he can get his bionic . . . r made in Australia, he can get his heart pacemaker made in

Australia has installed investment counselors in New York, See AWARDS, Page 15

Currency Rates

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Générale **Truce** Is Called

De Benedetti Seen **Getting Board Slot**

By Jacques Neher Special to the Herald Tribune BRUSSELS — The two investor groups that have been locked in a nig-of-war for the past five months over Société Générale de Belgique announced a surprise truce Tuesday

at the company's annual meeting. Though no details were released day, the pact appeared to pave the way for Carlo de Benedetti, the Italian industrialist, to assume a ending an announcement on Fri-

seat on Générale's board. However, analysts believe that he is unlikely to get the degree of control he had sought when he began buying shares in Belgium's

largest company in January.
René Lamy, governor of Générale's board, called the preliminary agreement "a big step toward nor-malization" between the two major

shareholder groups.

Mr. de Benedetti, through his
French holding company Cerus SA
and his allies, controls 44.5 percent to 47 percent of the 166-year-old Belgian conglomerate, depending upon the outcome of a court case. He was blocked from taking a seat on the board at a special shareholders meeting April 14 by the rival investor group led by Compagnie Financière de Suez, the French investment bank. The Suez group controls 55.2 percent of Générale.

The preliminary agreement, reached late Monday night between Mr. de Benedetti and Suez, headed off an expected fight at Tuesday's annual meeting over the election to Générale's board of Herve de Carmoy, a former banking executive that Suez is supporting to run the company,

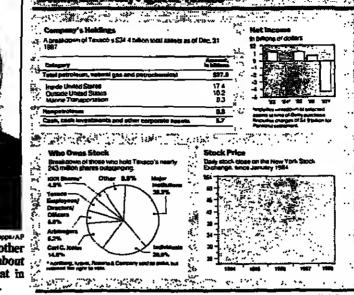
The Cerus group agreed to ab-stain on the vote in an apparent face-saving move, analysts said. tace-saving move, analysis said.

That decision permitted Cerus to object to Mr. de Carmoy without igniting a controversy by having almost half the shareholders voting against the person viewed as the next chief executive.

After the meeting, the board named Mr. de Carmoy executive director, a position that gives him See GENERALE, Page 15



Carl C. Icahn is leaving other investors to speculate about his plans after his defeat in the Texaco proxy battle.



All Eyes on Icahn's Texaco Shares

Proxy Battle Is Over, but Investor's Plans Are Unclear proxy battle, closed at \$48 on the New York Stock Exchange on comment on the speculation. Compiled by Our Staff From Dispatches

NEW YORK - Now that Carl C. Icahn has conceded defeat in his proxy battle with Texaco Inc., attention is focused on his plans for the 14.8 percent stake be owns in the company, Mr. Icahn, who had been

fighting for board representation at Texaco in order to put a \$60-a-share acquisition offer for the company to a vote by sharehold-ers, admitted the loss after Kohlberg, Kravis, Roberts & Co., said Monday it voted its 4.9 percent Texaco stake with management.
"I am of course sorry that I did
not win, but so be it," Mr. leahn.

who is chairman of Trans World Airlines Inc., said in a statement on Monday. Mr. Icahn said last week that if he lost the proxy vote he would seriously consider selling his

Texaco shares. But he made no mention of his plans in the statement ou Monday. Neil Call, executive vice presi-dent of D.F. King, Mr. Icahn's proxy solicitor, said the investor

was evaluating his options, in-cluding "whether to hold the shares, sell, go for a hostile offer or look for a partner." It is thought unlikely that he would merely dump the shares because that would depress their

Texaco's stock, which traded around \$50 a share during the Tuesday, up \$1.50 a share on rumors of a stock buyback.

Analysts have pointed out that Mr. Icahn has a paper profit of more than \$570 million on his Texaco holdings, on the basis of a price of \$50 a share. Even with substantial fall in the share

Mr. Icahn is considering several options, but dumping the Texaco stock is unlikely to be one of them.

price, a lesser profit might look

attractive, they said.
There's still hope around that something's going to happen," said Bruce Lazier of the Prescott, Ball & Turben brokerage. He said he believed Mr. Icahn would sell his shares but that a possible buyer would be a party interested in majority-owned Texaco Canada Inc., such as Gulf Canada Resources Ltd.

Mr. Icahn, who previously held talks with Texaco Canada about possible involvement in a

Mr. Icahn had been seeking to elect himself and four associates to Texaco's 14-member board in hopes of bringing to a sharehold-er vote his \$60-a-share takeover proposal, which valued the company at about \$14.5 billion. He said on Friday in Tulsa,

Oklahoma, where Texaco's an-nual meeting was held, that be would consider making a hostile tender offer if he lost the proxy fight but also might simply sell

For tax reasons, he would wait

until late July, he said, Kohlberg, Kravis, an investment firm that specializes in buyouts, said that it sided with management because it was "impressed by the restructuring steps" Texaco has taken since emerging from bankruptcy pro-ceedings in April. It also said that it "is supportive" of Texa-co's restructuring efforts planned for the months ahead. The restructuring plan has been aimed in part at fending off Mr. Icahn's overtures.

Although solvent, Texaco filed under Chapter 11 of federal bankruptcy laws in 1987 after a Texas court ordered it to pay \$10.3 billion to Pennzoil Co. for illegally interfering in Pennzoil's bid to acquire Getty Oil Co. Tex-See TEXACO, Page 15

U.S. Thrifts Lost \$3.8 Billion In First Quarter

Compiled by Our Staff From Dispatches \$3.7 billion in the fourth 1987 quar-WASHINGTON - U.S. savings and loan institutions incurred a near-record loss of \$3.8 billion between January and March, compared with profits in the first quar-ter of 1987 of \$100 million, the Barth noted. Federal Home Loan Bank Board

said Tuesday. The board said the overall loss was the result of increased losses by the 10 percent of the industry which is insolvent, mainly institu tions located in Texas.

The board previously reported a fourth-quarter 1987 loss of \$3.2 bil-lion and a loss of \$6.8 billion for the year. Those figures were revised in Tuesday's report to a record \$3.81 billion for the quarter and \$7.6 bil-

lion for the year. The latest figure means that since last fall, the industry has been losing money at a rate of more than \$13 billion a year.

It is also one of the clearest signals to date that the bank board has yet to make a major dent in solving the problems generated by more than 500 insolvent savings and loan associations and another 300 tn 500 institutions with very little net worth. Thrift deposits of up to \$100,000 are insured by the govern-

Some analysis have raised the possibility of a federal bailout of the troubled institutions, with U.S. taxpayers footing the bill,

In a study of banking failures released Monday, the comptroller of the currency contended that the primary cause of the problems is mismanagement. The study runs sharply counter to the view of many bankers and savines-industry executives that the economy is primarily to blame.

The first-quarter figures show that the thrift industry's troubles are becoming more concentrated in the Southwest, said James Barth, the FHLBB's chief economist.

Of the first-quarter loss, \$3 billion was recorded by 20 of the most unprofitable thrifts, which are for the most part located in Texas. Mr. Barth said 117 Texas thrifts were classified as insolvent.

Nationwide, 344 insolvent thrifts had losses of \$4.4 billion, up from

The Federal Savines and Loan Insurance Corp. is moving to merge or close insolvent thrifts to help stem the industry's losses, Mr.

The FHLBB has estimated that will cost about \$23 billion to correct the problems of insolvent thrifts, while the General Accounting Office has estimated the cost at \$29 billion to \$36 billion.

On a positive note, preliminary figures for April indicate that savings and loan institutions nationwide are improving and may have registered an operating profit that month, Mr. Barth said.

However, analysis said the continuing deterinration of the industry confirms their predictions that the ultimate cost of liquidating insolvent savings associations or merging them will be higher than the bank board has predicted.

(NYT, Reuters)

Brazil Agrees With Banks on Rescheduling

BRASILIA - Finance Minister Mailson da Nobrega announced Tuesday that Bra-zil has agreed with foreign pri-vate banks for the rescheduling of \$67 billion of its \$123 billion foreign debt.

Although the terms of the agreement were not disclosed, officials said that mediumand long-term loans amount ing to about \$62 billion would be rescheduled while new financing would amount to \$5.2

They said that interest will be 0.8125 percent over the London interbank offered

This is the best-ever accord that any Third World country has concluded," Mr. da No-

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Rate Rise Is Assailed In Germany By Ferdinand Protzman

FRANKFURT - The Bundes bank's move Tuesday to raise a key interest rate was quickly assailed by a range of economists as unnecessary, potentially harmful to economic growth and insufficient to bolster the Deutsche mark. West Germany's central bank, as

A Bundesbank report said the omy is healthy. Page 18.

announced Monday in Toronto, raised its interest rate on securities repurchase agreements to 3.50 percent from 3.25 percent. The increase aims to tamp down inflationary pressure and promote currency stability.

The move did not trigger rate

increases by other industrial nations, as some economists had feared. London markets have been expecting the Bank of England to push banks' base rates half a point higher to 9 percent this week, but it did not act Tuesday. The mark, which closed at 1.7600

to the dollar Monday in New York, was fixed lower at 1.7576 Tuesday in Frankfurt.
The Bundesbank ealled for

tenders Tuesday on 28-day securi-ties repurchase agreements at a fixed 3,50 percent rate. That was the first change in the repurchase rate since the Bundesbank lowered it to 3.25 percent last Nov. 25. The move was decided last week by the Bundesbank's policy-setting

council. A news report Thursday on the decision pushed German money market interest rates higher. "We see no real need for it," said Peter Pietsch, an economist for Commerzbank AG. "There is no

inflationary pressure in the foresee-able future, the Deutsche mark is hardly weak and while our economy is growing unexpectedly well, it won't be helped by this." West Germany's M-3 money supply is expanding at a rate well-above the Bundesbank's 3 to 6 per-

cent target range. Gert Schmidt, an economist at Industrickreditbank AG in Düsseldorf, saw "no fundamental reason to put the interest-rates brakes on the economy right now."

A currency dealer for a U.S. bank in Frankfurt said, "Speculators are buying currencies with higher interest-rate yields, looking for quick gains, like the dollar and the Australian dollar. This is not enough of a rise to make the mark

Gerhard Stoltenberg, the finance minister, attempted Tuesday to downplay the increase's impact on world markets, remarking in Toronto that the move was a minor adjustment to monetary policy.

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SAN FRANCISCO — McKesson Corp. announced Tuesday that it will expand its wholesale drug distribution business by acquiring Alco Health Services for \$500 million.

McKesson has agreed to purchase Alco, a drug and health care products distributor based in Valley Forge, Pennsylvania, for \$30 a share in cash. A tender offer is set to begin June 27.

"The acquisition of Alco Health Services reflects our strategy of focusing our resources on the distribution of prescription drugs, health and beauty aids and general merchanics to drug stores, supermarkets and mess merchanic. drug stores, supermarkets and mass merchan-dizers," said Thomas W. Field Jr., president and chief executive officer of San Francisco-based

McKesson.
Alco Standard Corp. owns 50 percent of Alco Health Services' 13 million outstanding shares. Under an agreement, McKesson, which at present owns no Alco stock, will purchase Alco Standard's shares for \$30 each following the tender offer to the public shareholders, a McKesson spokesman said.
Analysts and industry sources said that the acquisition of the No. 3 company in drug wholesaling will consolidate McKesson's position as undisputed leader in the U.S. industry.

wholesaling will consolidate McKesson's position as undisputed leader in the U.S. industry. With Alco under its wing, McKesson, which now commands 23 percent of the market, will control at least 30 percent of the S19 billion industry, according to the National Wholesale Druggists' Association, a trade group. The agreement follows a series of mergers in the industry in the last five years that had left McKesson, Bergen Brunswig Corp. and Alco as the largest independently owned companies in the business.

McKesson recorded a profit of \$95 million on \$7.3 billion in revenue during the financial year ended March 31, the company said. It added that Alco earned \$18 million on sales of \$1.7 billion for the year ended Dec. 30.

billion for the year ended Dec. 30.

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NYSE Highs-Lows

INTERNATIONAL STOCK MARKETS

IN THE IHT EVERY TUESDAY A COLUMN ON NON-U.S STOCK MARKETS. ESSENTIA READING FOR INVESTORS AND PROFESSIONALS— WORLDWIDE

عكذاص الإصل

French Firm

Offers to Buy

Essex Water

million (\$85 million).

LONDON — Lyonnaise des Eanx of France an-

nounced Tuesday it has of-

fered to acquire Essex Water

Co. of Britain for about £47.6

The friendly offer for Essex

Water would pay 900 pence for each 3.5 percent consoli-dated ordinary share out-

standing, 900 pence for each

3.5 percent ordinary share, 54

pence for each 2.45 percent preference share and 78 pence

for each 3.5 percent preference

Lyonnaise, which supplies

water, waste and energy sys-tems, said the offer had been

accepted by shareholders con-

trolling 41.6 percent of the

In the year ended in Decem-

ber, Essex, which supplies wa-ter to about 1.4 million people.

posted pretax profit of £5.8 million on revenue of £30.6

In the same year, Lyonnais

reported pretax earnings of 1.1

billion francs (\$185.9 million)

on revenoe of 16.8 billion

voting stock.

3M Announces Minicomputer Line

The machines are to be available market with a share of almost 24

W YORK — International less Machines Corp. unveiled roduct announcement ever.

salysts said the new machines, m as Application System-400, an attempt to bolster the ailriddle part of IBM's computer

e company is battling Digital oment Corp. for leadership in g computers to small and meesized businesses, a market described as "the biggest, st-growing segment of the Ts economy.

e new AS-400 family repre-IBM's attempt to reverse the range computers by offering nt machines and that give cusis room to expand without

e six computers were anced along with more than software packages from IBM 130 cooperating companies, programs are available for fields as retailing, manufacg finance, health, insurance-

a share on the New York billion worth of mid-sized comput-much more smaller ones.

Exchange.

Case per year, and IBM leads the

abena Orders

6 Boeing Jets

The Associated Press

a plan to renew and expand

The price was not disclosed,

t a 737 typically sells for out \$25 million, giving the

al an indicated value of \$400

The order is for four 144-

flect.

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(編集をより) マガル

in August. That is an unusually e of six minicomputers on short time after a product and day in what was called its largenouncement and would allow sales to play a significant role in IBM's 1988 revenue.

Also unusual is the amount of software to be immediately available - an important consideration for businesses that rely on standard packages of programs.

"The announcement of these systems begins a new era of easyto-use processing power for commercial customers," said Edward E. Lucente, the executive in charge of IBM's U.S. Marketing & Services Group.

The AS-400 family succeeds the System 36 and System 38 computer lines, which, although popular, are unable to run the same programs. IBM said the new computers all

run the same software. Programs written for the older machines can be recompiled to run on the new ones, although the system is more said IBM had faltered in the midamenable to System 38 software, IBM said The computers range in price

from \$19,000 — not much more than expensive personal computers caught them unaware was the de-to \$229,500. The operating sysmand for personal computers," M's stock was higher after the memorat, rising \$2.875 to U.S. companies sell nearly \$30 switched from these systems to

percent, according to International

Data Corp.
But while IBM's market share

has fallen since 1984, Digital

Equipment's has increased to just

under 19 percent of the market,

DEC's growing presence was the ill-fated 9370 computer. David Wu, an analyst at S.G. Warburg & Co.,

said the 9370 had been a major

disappointment to IBM customers.

would have enough features, in-cluding its extensive software li-

brary, to create at least temporary

"IBM as a company will come

shock waves in the marketplace.

back in market-share surveys over

the oext 12 to 18 months," Mr. Wu

said. "I think a reversal would be a

Francis McInerney, an analyst at

Northern Business Information,

range market partly because it had

underestimated the capabilities of

"One of the things that really

temporary phenomenon."

the personal computers. .

But he said IBM's new series

IBM's previous to challenge to

International Data said.

francs. (UPI, AP) GENERALE: Rivals Reach Truce on Belgian Firm

RRUSSELS - Sabena, the nanaging director.

Mr. de Carmoy will share some elgisn national airline, an-unced Tuesday that it had dered 16 Boeing 737s as part responsibility for the day-to-day running of Générale with Mr. Lamy, whose position as governor of the board had given him full

Mr. de Carmoy, a Frenchman, said he will act to "deepen, and if necessary, accelerate" efforts to modernize Generale's subsidiaries and to concentrate the company's more than 1,200 holdings into appropriate industrial groupings.

at Boeing 737-400s and 12 1-seat Boeing 737-500s, to Another special shareholders delivered at the beginning meeting is required to establish the the 1990s. The airline, rich is state-controlled, said position of managing director, A date for such a meeting, at which would have "a completely newed" short- and medium-Mr. de Benedetti also would likely al fleet by 1992. be named to the board, was expected to be set on Friday.

(Continued from first finance page)

Mr. de Carmoy, in a press conference after the board meeting. board but does not carry the same said he had met with Mr. de Beneweight as chief executive officer or detti, although he declined to disclose the nature or tone of the talks.

Formerly head of world banking operations for Midland Blank PLC, Mr. de Carmoy implied that Mr. de Benedetti would be named to Générale's board and that be would have a measure of influence in determining the company's direction. The Italian busine who is chairman of Olivetti SpA. has been pushing for Generale to become a pan-European holding

"There's a place for shareholders who are on the board and on the executive committee to influence what the chief executive is doing," Mr. de Carmoy said. "Mr. de Benedetti has an industrial experience that can be tapped for the benefit of the company and all the invest-

ments of Société Générale de Belgique in a fruitful and positive way, and I'm confident that this will be the approach taken."

Andrew Bell, an analyst with the Phillips & Drew stockbrokerage in London, speculated that Mr. de Benedetti may be viewing the compromise as "the first step" toward obtaining the influence he seeks. "Once he's on the board, he may

prove to be the most dynamic per-son there," Mr. Bell said.

Mr. Lamy said he expected Générale shares to be re-issued on the share. stock market for public trading, handful of the company's shares were bought by the two investor

Japanese Cars' Quality Edge Is Declining, U.S. Poll Finds

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By James Risen

Los Angeles Times Service DETROIT - The perceived "quality gap" between Japanese and U.S. cars appears to be narrowing, according to a recent report.

An annual survey of oew-car owners in the United States and the problems they encountered shows that complaints about Japanese cars have increased in the past year while problems with cars made by U.S. automakers remained about the same

Even so, the Japanese did better than the domestic car makers by a comfortable margin in the survey of problems reported by more than 30,000 owners of new 1988 cars. The poll was conducted by J.D. Power & Associates, an independent market research company. A year ago, the survey showed that new-car

A year ago, the survey showed that new-car owners reported 27 percent fewer quality problems with Japanese cars than with vehicles made by U.S. manufacturers. This year, that oumber shrank to 18 percent, according to the J.D. Power survey. Quality problems reported with European models exceeded those of Japanese and American care. nese and American cars.

Reports of quality defects, however, continue to nag even the most successful domestic mod-els, such as the fast-selling Ford Taurus. Con-sumer Reports magazine said in its June issue

The

encing "greater-than-average" repair problems. But some analysts said the findings of the

J.D. Power survey have stunned the Japanese

"I think the results have surprised a lot of people," said William Pochiluk, an industry analyst at Autofacts, a Paoli, Pennsylvania, market research company. Officials of the Japanese automakers empha-

sized that they believe the gap has narrowed only because the U.S. cars are improving, not because the imports are getting worse.

"All we can say is that the domestics are doing a better job than they did in the past, I

think that is obvious," said Jim Olson, a spokesman for Toyota. "I think there is oo doubt that Japanese quality is still better. Toyota quality has not gotten worse, it's just that the water level is rising." The survey "shows that Americans can pro-

duce quality products given the right incentives and management control," added Marty Schwager, Nissan's manager for customer satis-faction research. A Honda spokesman said company officials were unavailable for com-

The survey found that, for every 100 owners

that it found owners of the Taurus and the of Japanese cars surveyed, there were 144 problems reported, up from 129 problems for each 100 owners surveyed in 1987.

Mercury Sable, which is similar, were experi-By contrast, there were 176 problems reported for each 100 domestic car owners, down

from 177 problems in 1987. In addition, the survey found that overall, European cars received the most complaints from owners. Although several individual European car lines were highly rated in terms of quality, the entire European industry still lagged far behind the Big Three U.S. automakers and the Japanese, with 259 problems report-

ed, up from 190 last year. Owners of 156 different model lines were surveyed by J.D. Power, and were asked about 89 potential problem areas with their 1988 cars. The 12 major categories in the survey ranged

from electric systems to water leaks.

One problem facing the Japanese and the Europeans in such a survey, J.D. Power officials said, is that sharply rising prices on imported cars has led to sharply rising expectations from import buyers. Since the survey was limited to customers who had purchased their cars within the past 90 days, sticker shock could still be fresh in the owners' minds.

"Certainly, when you pay more, you will expect more," said Bruce Johnson, an analyst

Tomkins Tops Electrolux Bid for Murray

Compiled by Our Staff From Disparches
LONDON — Tomkins PLC, a
British industrial holding compa
British industrial holding compa
If the Murray deal is ny, said Tuesday that it has agreed to acquire Tennessee-based Murray Ohio Manufacturing Co., for \$224 million, forcing Electrohix AB to drop its hostile bid.

Tomkins will pay \$56 a share for the U.S. maker of lawnmowers and bicycles, topping a \$52-a-share bid from the Swedish appliance maker that Murray's board had rejected as inadequate.

In Stockholm, an Electrolux spokeswoman said the company was withdrawing its offer because it regarded the Tomkins bid as too

Electrolux does not find it economically justifiable to pay a high-er price," she said. The spokeswoman noted that Electrolux had raised its bid last month from \$48 a

Tomkins shares were slightly

Murray's stock also fell, by \$2.50 groups by last March, forcing Brus- to \$55.25, on the New York Stock sels Bourse authorities to scratch Exchange. The shares, which have

on Monday after Electrolux re-

If the Murray deal is completed, it will be the second buyout of a U.S. company by Tomkins in a year as well as being the latest in a string of recent British acquisitions in the United States spurred by the

In June 1987, Tomkins bought Smith & Wesson Corp., the arms manufacturer, for \$112.5 million.

"The acquisition of Murray represents the next logical step in Tomkins's efforts to expand its U.S. operations," said Gregory Hutchings, the Tomkins chairman.

"Murray will also complement our existing lawnmower and turf care equipment businesses, Hayters and Beaver, providing significant opportunities for sharing products, technology and distribu-tion octworks." (AP, Reuters)

Simmons Faces a Takeover

strong pound.

CHICAGO - Simmons Airlines Inc., a regional U.S. carrier, said Tuesday that American Airlines is considering acquiring it.

A brief company statement did not give further details.

Simmons is the United States's although adding that it was "to lower on the London Stock Exfourth-largest regional airline, serv\$15 a share in over-the-counter
early to say how and when" the change on Tuesday at 234 peace ing 34 cities in the Midwest and trading on Tuesday. On June 10 it ing 34 cities in the Midwest and trading on Tuesday. On June 10, it process would occur. All but a (\$4.18) from a close of 236 pence providing feeder traffic to American Airlines at Chicago's O'Hare Matt Robbins. hub and a service to the Detroit

On Monday, Simmons said it the stock from the official listing. traded as high as \$64, lost \$2,375 bired First Boston Corp. to help it share.

bub of Northwest Airlines.

evaluate merger opportunities. Simmons's stock has risen recently on speculation that it would receive a buyout offer, most likely one from American, which has been purchasing small regional carriers that feed passengers to it.

Simmons stock rose 62.5 cents to

Matt Robbins, an airline industry analyst at the Rodman and Renshaw Inc. securities company, said Simmons might be worth \$18 a

(Reuters, AFP)

EXACO: Future of Icahn's Stake Remains Unclear

waco settled the case and no action at all. s to distribute \$1.7 billion of

woceeds to stockholders. xaco has already finalized s to sell its West German subry. It also said last week that it d sell 50 percent of its refining marketing system in the eastind southern United States to f Arabia for \$800 million. chiberg Kravis said it no longalds any Texaco shares. Proxy were granted based on stock ership as of April 12. The com-

said it would consider buying

is in the future, "depending on act and other conditions." statement raised the possibiliat it would remain in the wings possibly work with or against co management, analysts said. ked why Kohlberg, Kravis

eventually bought Getty ineventually bought Getty ineventually bought Getty inaco, but also noted that it may take

Co.

Kohlberg Kravis's role was a

ced the way for its emergence. Chapter 11 proceedings by ag 53 billion to Pennzoil. In the market in the days before last Friday's annual meeting.

Texaco has begun selling to 55 billion of assets, and it is to distribute \$1.7 billion of assets, and it is to distribute \$1.7 billion of assets. the stock when they bought it. They on whether the voting rights had sell the stock, and then they vote gone with the stock. for management," he said.

Kravis decision to back Texaco's aco and another with close ties to cr. the company said a factor behind it may have been anger that the Wall Street firm's plans had become

When Mr. Icahn was questioned might make a higher bid.

its 12 million shares, a spokes- the good graces of its second-larg- pears to have succeeded in convinc-said: "The stock reached a est shareholder. It is suing Mr. ing many institutional investors where it made sense for KKR Icahn, alleging he manipulated its that the deal was not likely to come it. The spokesman said the stock by illegally coordinating purabout. (NYT, Reuters, LAT, WP)

diment from first finance page) company remains "flexible and in- chases in January with Kohlberg,

Some traders criticized Kohl- matter of intense speculation for

Analysts said Monday that that Commenting on the Kohlberg, sale appeared to be the last of Kohlberg, Kravis's stock, with its management, an executive at Tex- other shares having been sold earli-

Throughoot the proxy battle, a key issue was the credibility of Mr. Icahn's offer to buy the 85.2 percent of the company that he does not own. He did not have financing under oath early last week in a suit lined up for the deal, but said that against him by Texaco, he said that he was so confident he could obtain Henry Kravis, one of the firm's the funds that he was setting up a partners, had told him that if Tex- \$300 million escrow, to be paid to aco put leahn's \$60-a-share bid to a shareholders if they approved his shareholder vote, Kohlberg, Kravis takeover and he failed to carry it

Texaco had taken care to stay in The company's management ap-

BUSINESS SCHOOL

LAUSANNE

WARDS: BBDO Wins Twice timed from first finance page) United States, and Publicis Com-

kfurt and Tokyo to explain lopments in manufacturing service industries. Australia policies and rising prices for

gainst the U.S. dollar rose to 82 owned by the French, would be cents this week, almost a four-unaffected by the move. high, as offshore investors, icularly Japanese, bought

as than two weeks after makn acquisition in Atlanta, Brit-Sandwick PLC, the world's st independent public relacompany, has announced two acquisitions: Rubenstein. son & Co. in New York and munikations Marketing in . It was Shandwick's 11th h American acquisition.

se Rubenstein operation had London, the recently formed bee of Foote, Cone & Belding munications, a giant in the ncome last year of about 52

munications, a huge French company, will create a new entity by merging FCB London with Mallett McCormick, one of two Publicis rough tight fiscal and monerolicites and mining many for Tony Dalton is to be the chairman and chief executive. McCormick with of the Australian dol- Publicis, another London agency

(AP, LAT, AFP, Renaers)

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NOTICE OF HOLDERS OF BEARER CERTIFICATES IN KNOEDLER-MODARCO S.A.

UMN ON ESSE MARKETS. ON MARKETS. MARKETS. ESSE MARKETS. ES As part of its reorganization, the name and registered office of the company have changed. Holders of old boarer certificates in Knoedler-Modarco S.A. are hereby encouraged to exchange their old certificates in Knoedler-Modarco I.d. for new bearer certificates in Knoedler-Modarco I.d. for new bearer certificates in Knoedler-Modarco I.d. the new bearer certificates Knoedler-Modarco I.d. and the company is a supplied to the company in the company in the company is a supplied to the company in the company in the company is a company in the company in the company is a company in the company in the company is a company in the company in the company is a company in the company in the company is a company in the company in the company is a company in the company in the company is a company in the company in the company is a company in the company in the company is a company in the company in the company in the company is a company in the company in the company in the company in the company is a company in the company Knoedler-Modarco Ltd. with coupous Nos. 1-20 attached thereto can be obtained free of charge as at June 7, 1988

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By order of the Board of Directors Dr. Armand HAMMER

MARKS & SPENCER

Group Performance

In the last year, Marks and Spencer Group sales increased by 8.5% to £4,557.6 million. Profits exceeded £500 million for the first time, increasing by £69.6 million - up 16.1%. Overall profimbility went up from 10.2% to 11.0%. Dividend per share increased from 4.5p to 5.1p and earnings per share were up 17.3% from 10.4p to 12.2p.

UK Sales Our UK store sales increased by 9.6% to (4,173.6 million, 7.6% being volume growth. Clothing sales showed particularly strong

growth in the second half of the year and increased by 7.8% to £2,016.0 million. The sales of the Homeware and Footwear Division increased by 8.7% to £486.3 million as

expansion of the ranges continued. Food sales increased by 12.0% to £1,67L3 million, significantly ahead of national retail food sales.

Store Development During the year, £125 million was invested

in store development. Selling space increased by 545,000 sq. ft and a further 2 million sq. ft were modernised. We plan to add over 400,000 sq.ft of selling space in the coming year and modernise a further 1.5 million sq.ft.

The year saw the redevelopment of our premier store at Marble Arch completed and the opening of our second edge of town store at Cheshunt.

Investment in Technology

£40 million was invested in developing information technology and we became the first major UK retailer to introduce electronic cheque writing.

We have opened a computer centre employing 450 people to deal with the developments and to support our company's growth into

Hotel Firm for \$135 Million Compiled by Our Staff From Dupate

Pao Units Buy

HONG KONG - World International (Holdings) Ltd. and its affiliate Wharf (Holdings) Ltd. said Tuesday, that they are buying the U.S.-based Omni Hotels Group for \$135 million in cash.

The companies, controlled by the Hong Kong business-man Sir Yue-Kong Pao, will buy the 14th-largest U.S. hotel group from Aer Lingus, Ireland's national airline.

The two local property conglomerates said they are to be equal partners in the venture. They already own and manage three botels in Hong Kong and one in Singapore.

Omni manages 27 hotels and runs 12 others as franchises, holding equity interests in six of the total 39. It has plans to expand to 60 hotels in two years and is expected to report 1988 revenue of \$436

Financial Services

holders and sales on chargecard increased by 47% to 13.4% of turnover.

There are now over 2 million chargecard

International

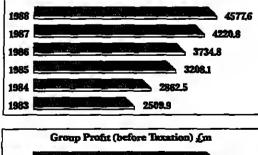
European sales increased by 13%, with profits up by 50.6%. A particular highlight was the opening of our fourth store in Paris and we are continuing to seek further opportunities for expansion.

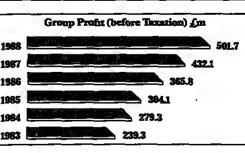
Overall, sales in Canada were disappointing and reflected poor levels of consumer spending generally. However, the D'Aliairds Division maintained its satisfactory rate of profitability.

The recent acquisition of Brooks Brothers, together with certain preferential and exclusive rights for food and clothing retail sites will give us an important introduction into the USA. And our expansion plans will continue in the Far East where we successfully opened our first store in Hong Kong.

We are confident that our current growth and investment plans will ensure that our shareholders. our staff and our suppliers will continue to share in our success.

Group Turnover (excluding Sales Taxes) £m



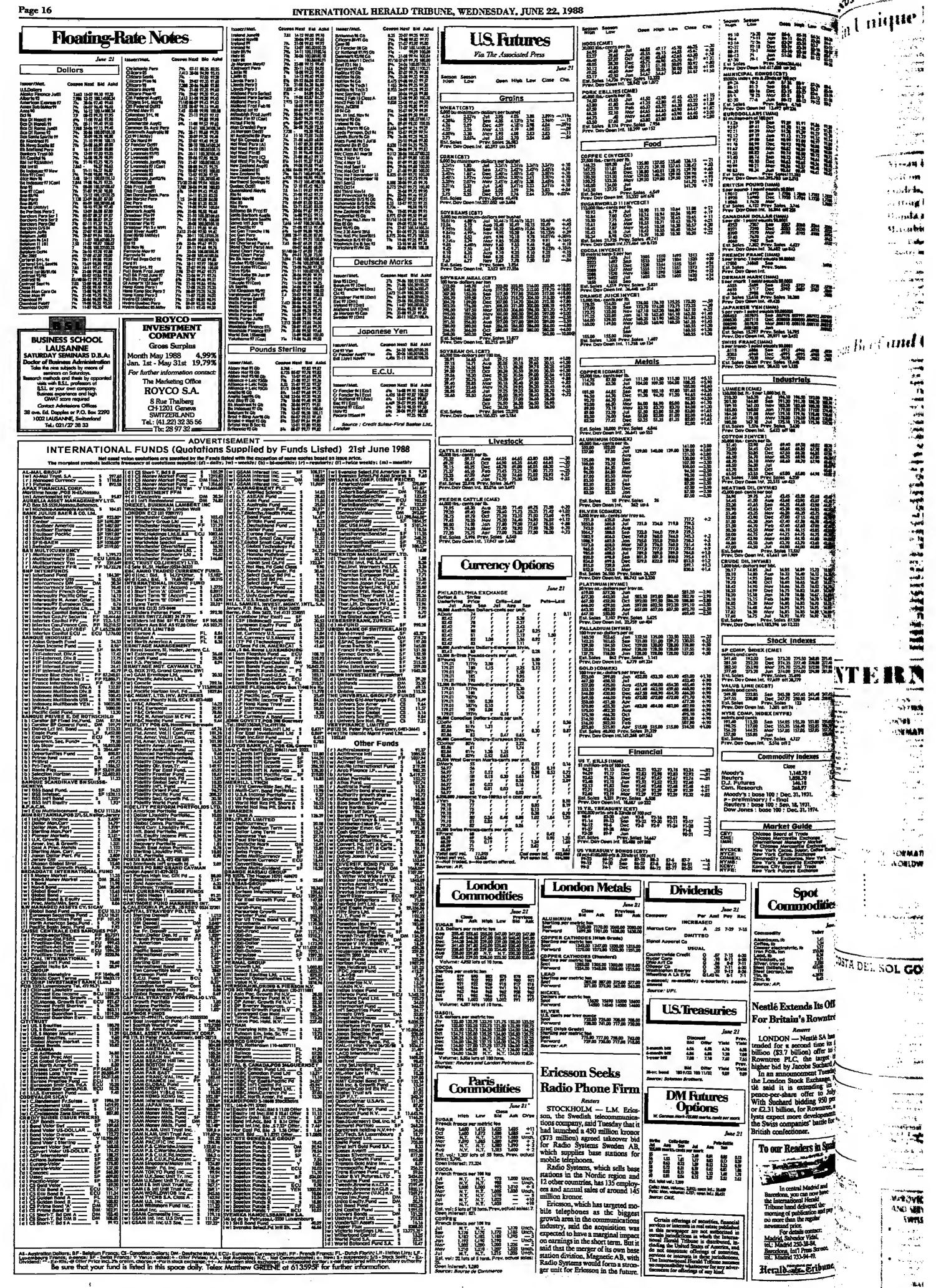


We are pleased to announce that both Moody's and Standard & Poor's have recently reaffirmed our rating for long term debt as AAA. This is particularly important after our recent acquisition of Brooks Brothers. We are still the only retailer in the world with this rating.

If you would like to receive a copy of the Marks and Spencer Annual Report please complete and send the coupon.

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MARKS & SPENCER



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lissan, in Unique Move, Cuts Prices

OKYO - Nissan Motor Co., move to regain market share, Tuesday that it will cut the es of some four-wheel-drive in Japan by as much as 4 cut, the first reduction ever in dard domestic prices by a Japse car maker, excluding dealers'

he price cuts on the 1.5-liter cles will take effect July 1. the move by Japan's No. 2 sotoer is part of an effort to reverse ide that began when it over-nded its foreign operations and judged domestic customer judged domestic customer
s, industry analysts said. It still s a tough battle to regain dotic market share, they added. be decision "is indicative of the that Nissan is making a strong rt to recapture ground in the testic market," said Tony s (Asia) Ltd.

utomobile industry sources said an's prices were about 20,000 (\$158) higher than those of simi-chicles made by Toyota Motor , Japan's biggest car maker. he selling price of nine versions ne Sunny, Laurel Spirit, Langand Liberta Villa models are to sales slipped in volume while the market grew," said a Japanese analyst. "In 1987, volume growth million yen in the Tokyo area. turned positive

By Susan Chira

New York Times Service

an the United States and Japan.

on in additional annual sales.

the accord.

e than the Americans.

OKYO - The settlement on Monday of a

of the most contentious trade issues be-

fter months of negotiations, Japan agreed

eef and fresh oranges in three years and on ig use juice in four years. By U.S. estimates.

iday morning to end all quotas on imports

concession could amount to more than \$1

sef and oranges carry artificially high prices

over the agreement, saying they could not

a to win a price competition against the

orts. U.S. officials expressed satisfaction

ne symbolic value of dropping the quotas outweighs the importance in reducing the

trade deficit with Japan. Australian beef is

expensive than U.S. beef, and open markets

apan could benefit the Australians even

onsiderable tension persists over Japan's

trade surplus with the United States -

billion last year -- but since Prime Minister

oru Takeshita took office in October, pro-

he dispute over beef and oranges was one of

has been made on several trade issues.

man, and Japanese farmers expressed out-

=

Industry sources said that other . car makers also are likely to cut prices on four-wheel-drive vehicles, for which domestic sales rose 25.2 percent to 269,000 in 1987 from the

While Toyota's share of total domestic vehicle sales has remained stable at about 31 percent, Nissan's has dropped to about 17 percent from 25 percent a decade ago, Mr. Mover said.

Recently, buoyant domestic demand for cars has helped boost

> Nissan is 'doing well on certain models, but is getting hurt by Honda and Mitsubishi.

industry analyst Nissan's sales along with those of other automakers. "For the last seven years, Nissan

April 1, 1993.

Steve Usher.

Strong domestic sales helped the parent company rebound to a 47.61 billion yen operating profit in the financial year ended March 31 from an 8.45 billion yen loss the previous year, analysts noted.

But Nissan's domestic growth has still been outpaced slightly by the market as a whole, causing its share of the passenger car market, excluding minicars, to slip 10 24 percent from 25.1 percent a year earlier, said Shigeo Nakagawa, an analyst with Nikko Research Cen-

ter Ltd. However, rising sales volume means the company now has scope to reduce some prices in an effort to regain market share.

The domestic market is strong Nissan's earnings are up, so they have the capacity to reduce prices." Mr. Nakagawa said. But staging a successful come-back will not be easy, analysts said.

Although Nissan has succeeded with some of its higher-priced do-mestic models, it still faces stiff competition.

They're showing strong signs of creasingly willing to pay for luxury.

Toyota Plans Record Issue

Agence France-Presse TOKYO - Toyota Motor Corp. has said that it plans to issue 300 billion yen (\$2.38 billion) of domestic boods in July convertible into shares, the largest such issue by a Japanese company.

Toyota first issued convert ible bonds in December 1986, totaling 200 billion yen.

The new bonds will carry a manurity of nine years, but the rate of interest and the rate for conversion into equity are still undecided, the company said on Monday. The proceeds will be used for new technology and new products, it said, and for plant investment.

identifying a market and providing products the market wants, but at the same time they have a whole product line to remodel and it will take a while," Mr. Usher said.

"They're doing well on certain Mr. Moyer agreed. "It's not a models, but by and large they're bad performance, but they have to getting hurt by competition from thomas and Mitsubishi," said Steve view to long-term performance." Usher, an analyst with Kleinwort
Benson International Inc., referring
may have relatively little impact in to two other Japanese car makers. a market where consumers are in-

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toughest issues because Japanese farmers the core supporters of the ruling Liberal socratic Party. It served as a test of Mr. shita's ability to handle relations with Ja-5 most important ally and trading partner. nder the accord signed Monday, quotas on

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The United States also won a long-sought concession — allowing American beef producers to export directly to Japan. This means cutting out the Livestock Import Promotion Council, a quasi-governmental body that has limited imports by setting high prices and con-

three years. On April 1, 1991, Japan is to drop quotas and set a tariff rate of 70 percent for the

first year; the rate would fall to 50 percent by

trolling distribution. After the quotas end, Japan would have the right to impose an additional 25 percent tariff if imports increase by more than 20 percent from

Quotas on fresh oranges also are to increase adually, ending by April 1, 1991, after which Japan would impose the same tariffs that now apply, ranging from 20 percent to 40 percent. Quotas on orange juice concentrate are to end by April 1, 1992. Japan is also to end by April 1, 1990, the requirement that all imported orange jnice be blended with juice from oranges

"If you look at the agenda when Mr. Take-shita went to meet President Reagan in January, this wipes the slate pretty clean," said a Western diplomat who has followed the beef and orange talks, "Mr. Takeshita brought a fair amount of pressure to bear on the party and the Agriculture Ministry to come up with something. I'd give him half the credit and half to

other circumstances." These other circumstances included the fact that Japanese farmers, and the politicians who represent their interests, are girding for other battles and apparently concluded that it was

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S.-Japan Beef and Orange Accord Ends Major Dispute The Liberal Democratic Party has proposed an overhaul of the Japanese tax system that would end up forcing farmers - who pay lower taxes than do salaried employees — to pay more. The Ministry of Agriculture is also proposing a cut in rice prices, which have been set artificially high for decades as a way to support

With these other issues looming, the power-ful agricultural politicians yielded to pressure to make some concessions on beef and oranges

To assuage farmers, Japan's government is expected to offer them substantial subsidies. The number of beef cattle raisers and orange growers has been steadily declining and now mbers about 600,000 families, just 14 percent of Japan's farm population. Takekazu Ogura, an authority on Japanese agriculture who served for many years in the Japanese government, said opening the beef market would also hurt Japan's dairy industry, because many of Japan's beef cattle also are used for milk.

Politicians and farmers resisted opening the peef and oranges market for so long because they feared that the United States would next take up Japan's quotas on rice. Japanese rice prices are several times higher than world levels, but the idea that Japan should be selfsufficient in rice remains sucrosance to many Japanese, U.S. officials remained noncommittal on the question of rice imports Monday.

Although the United States retreated from several of its negotiating positions, U.S. offi-cials said they were delighted with the agree-ment. The United States had originally pressed Japan to end its quotes faster and had resisted Japan's demand to impose emergency import

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CURRENCY MARKETS

Dollar Declines on Profit-Taking

NEW YORK - The dollar slipped Toesday against most major currencies in New York as deal-

ers took profits, after the currency ended mixed in quiet European Dealers said that the communique from the Torooto summit meeting of the Group of Seven ma-

jor industrialized countries had little impact on trading. The G-7 issued a warning against excessive dollar fluctuations. This means we'll be trading in

bands just as we have been doing in the past few months," said Peter Medlock, chief dealer at Societé Générale in Loodon.

In New York, dealers sold for profits after the dollar failed to extend its gains past 1.76 Deutsche marks, an eight-mooth high.

The U.S. currency finished at

1.7553 DM, down from its close at 1.76 DM on Mooday. However, it edged higher to 126.42 yen from 126.27.

The dollar eased, though, against other European currencies, slip-ping to 1.4590 Swiss francs from 1.4625 and to 5.9230 French francs after 5.9355.

The British pound rose to \$1,7895 from \$1.7853.

Market participants remained generally positive about the dollar, although some suspect that historic currency movements and continued selling by the Bundesbank, the West German central bank, imply

a pullback is due against the mark.

"There were signs the dollar was struggling a little bit today," said David Sawyer, a vice president of foreign exchange marketing at First Chicago in London. "A cor-

ported," said Earl Johnson of Har- growth was 0.8 percent. ris Trust & Savings Bank. "But I

London Dollar Rates

don't see a serious run at 1.80 DM,

ended firmer against the Japanese yen at 126.45 yen, up from 126.18

However, it weakened slightly after reports on the G-T's draft communiqué. Mr. Medlock said some market participants had advantage of the pound's recent hoped for some form of encourage-fall to initiate a rise in base rates to ment to push the dollar higher. curb inflationary pressures appearing to build up in the economy.

lars could get frustrated," he said. The British pound ended slightly firmer at \$1.7855, up from \$1.7845. The French franc also gained against the dollar, rising to 5.9295 francs from 5.9285.

Dealers in London noted the pound held firm against currencies other than the dollar, although the Bank of England did not signal a rise in base rates in its money market operations Tuesday morning. for example."

This was despite a quarter-point rise in the West German central bank's repurchase rate on Tuesday Monday's close. The U.S. currency morning. That increase had been expected

"The time is not yet right" for a British base rate rise because of exchange rate considerations. Mr. Sawyer of First Chicago said. British authorities have taken

U.S. Consumer Price Rises Further Abated in May

WASHINGTON - U.S. consumer price increases slowed in May for the second consecutive month as an earlier surge in clothing prices came to an abrupt halt and food price rises moderated, the government announced Tuesday.

Economists said the drought that is plaguing Middle Western farm regions has had little impact on consumer prices so far. The consumer price index, a widely used measure of inflation, rose

a seasonally adjusted 0.3 percent in May after gains of 0.4 percent in April and 0.5 percent in March, the Labor Department said. For the first five months of 1988, prices rose at a 4.4 percent annual rate, identical to the advance for all of 1987, the department

said. In the 12 months ended in May, prices rose 3.9 percent, it said. "There's some moderation in this report," said Donald Ratajezak, director of the Georgia State University Center for Economic

Forecasting.
"It continues to show that regardless of what's happening with import prices, or even what's happening down on the farm, the consumer only has toleration for so much," Mr. Ratajczak said. Gasoline prices rose 1.6 percent in May after a 1.1 percent rise in April. Such a rise is not unusual at the start of the vacation season. Food and beverage prices rose only 0.4 percent in May after a 0.6 percent gain in April as price increases slowed significantly for most

Rise Foreseen in Yen Interest Rates !. Expectations Persist Despite Efforts by Bank of Japan

TOKYO - Money dealers in Japan continue to expect a rise in ven interest rates despite Bank of Japan attempts to defuse such

The bond market majority sees higher foterest rates from later this month on seasonal factors," said Yuichi Kaneko, assistant general manager of Dai-Ichi Kangyo Bank

The Bank of Japan bought government bonds totaling 246 billion yen (\$1.95 billion) on Friday, just ahead of the economic summit meeting in Toronto, and it bought 50 billion ven on Tuesday.

A Bank of Japan official said the

bank bought bonds in an effort to ease fears of higher yen interest

rising rates, he said. The official said the Bank of Ja-

pan would not change its basic monerary stance. But Mr. Kaneko of Dai-lehi said the seasonal uptrend io rates would

be accentuated if the yen did not strengthen. The strong ven had enabled Japan to post a good economic performance and maintaio low interthe dollar means there is more

chance of the U.S. currency rising if

ens after the summit meeting, mooey dealers said. But they said the central bank could moderate a dollar rise against The number of people with jobs rose to 26.08 the yen — which could intensify million in April, 60,000 more than in December 1987 and 115,000 more than in April 1987.

about a possible worsening of the oy's central bank, raised its imp

Mr. Sumita also said the central eral of the Finance Ministry's bank expects the Japanese econo- ternational Finance Bureau, said my to continue growing at a rela- Toronto on Sunday: "We see tively high rate.

"In the face of firmer dollar sen- tary stance." timent, the central bank would impose a brake on strong economic expansion — but little by little," said Tetsuva Dezuka, general manager of New Japan Securities Co.'s demand for funds in time for bond department.

He added that the Bank of Japan's basic accommodative credit. Japanese corporations. stance will not in itself achieve the bank's target of sustained economic growth without inflation.

if the Bundesbank, West Germa- chase operations.

about a possible worsening of the oy seeman own, there is imported the price environment over a "some tant money-market repurch; rate, Makoto Usumi, director, and the Engage Makoto Usumi, and the En

need to change our current mo But despite what government ficials said, money dealers expe

three-month bill rate rise soon Such a rise would cover expec interim or annual closing of counts at the end of September

Many traders had expected hill rate to rise last Friday, but central bank instead injected by Asked if Japan would follow suit into the market through hond a

EC Court Directs Britain To Widen VAT Collection

LUXEMBOURG — The Euro- of news services to banks an pean Court of Justice on Tuesday surance companies. ordered Britaio to widen the application of its sales tax in a ruling have to decide whether to charge that affects the country's construc-

tion industry. The judgment, a rare attack on a The British Building Employ national tax system, came as the Confederation said the adding European Community is trying to annual tax burden on construe push members to standardize their work would be between £255,

indirect taxes by 1992, the community's target date for the establish- and \$1.1 billion). ment of a single market. The Luxembourg court, whose rulings are binding, said Britain would change tax rules to so should charge value added tax on all goods and services that do not A complex system allows in

go directly to the final customer. It ordered Britain to impose they pay on goods and service

plies to industry and on the my Legal experts said Britain we

percent, or a lower rate, lion and £630 million (\$450 mil

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This list, compiled by the AP, consists of the 1.000 most fraded securities in lerms of dollar value.

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FRANKFURT — The West German economy is healthy and should continue to grow at a respectable rate, with prices remaining steady, the country's central bank said Tuesday. A Bundesbank report said, "Growth in pro-

duction went together with a wide-ranging improvement in business confidence after the turbulence on the stock and currency markets towards the end of last year had had a tempo-rary negative effect."

It said the West German economy grew by a seasonally adjusted 1.5 percent in the first quarter over the last quarter of 1987.

The rate was distorted by a mild winter, which gave an exceptional boost to building rection might happen anytime."

which gave an exceptional boost to building activity, it said. But even without this factor,

Further growth at this rate would yield annu-

al growth of more than 3 percent, the Bundesbank added.

Bundesbank Predicts Healthy Growth for West Germany

"As this illustrates, the German economy had an unchanged positive trend at the start of the current year. Important indicators of demand suggest that the economic forces for growth have if anything increased," it said.

The Bundesbank said domestic demand was the main source of West German growth, rising by 2 percent from the previous quarter, adjusted for seasonal factors and inflation. The strength of domestic demand helped the

economy shift away from its previous dependence oo exports, the bank said. "The irritations, which the turbulence on the stock and currency markets brought with it,

have been immediately surmounted by the economy," it said. The report said husiness expectations had

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17 Month High Low Stock

improved in the manufacturing sector since the

start of the year. The Bundesbank also said corporate profits were moving ahead, helped by the absence of cost pressure on margins and by support from outside the economy in the form of cheaper the dollar means there is more monetary policy coordination loos-

Firm private consumption in the first quarter of the year looked likely to continue, with very high orders for domestic consumer goods. Employment rose, but not as quickly as the oumber of people seeking jobs.

Unemployment at the end of May totaled higher. 2.27 million people, however, 10,000 more than at the end of 1987 and 50,000 more than in May

The governor of the Bank of Ja-17 Morth High Low Stock Sales ia Net Drv. Yid, 100s High Law 4 P.M. Chige

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creatures 58 Eye layer 59 Wide-awake

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50 Flat 51 Israel's first king 52 In the know 53 Orgy cry 54 Pull apart 55 Japanese brew 56 Type of cat or

O New York Times, edited by Eugene Maleska.



LOOK AT THAT CRAZY COWBOY TALKING TO HIS HORSE, RUFF!"



Jumbles: PROXY HEFTY BALLAD FUNGUS

What she said when her rejected suitor threatened to lump off the cliff— THAT'S ONLY A "BLUFF"

WEATHER EUROPE AFRICA Aigler's Cape Town Casablanca Harare Logas Nairabi Tomis LATIN AMERICA 18 44 7 45 cl 19 44 15 59 0 29 52 14 27 pc 25 77 17 66 cl Coreces Coreces Lime Mexico City Rio de Joneiro **NORTH AMERICA** AERICA 16 61 9 44 13 75 21 77 13 75 10 66 75 21 78 24 13 75 10 66 75 21 78 24 75 10 76 75 10 76 75 11 85 22 75 11 11 82 20 97 24 20 97 25 20 97 25 20 97 25 20 97 25 20 97 25 20 97 25 20 97 25 20 97 25 Ancherve Antiestu Bostos Chicago Denver Detroif Honolulu Houston Les Angeles Minneapells Mentreal Messao New York Sen Francisco Sentia Toronto Weshington MIDDLE EAST

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PEANUTS

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BEETLE BAILEY THEY SAY AN OLDER PERSON GENERAL WITH CHICKEN POX CAN THINKS HE GET SHINGLES MIGHT HAVE CHICKEN POX













JPM DAV?56-22

sixth-hest score in North it beld she happily perse America playing at the Bridge with diamonds and was

monds.
The opening

however, I would want to make two critical Kondraties's "secret" is the hook that keep reading, but the revelation, when it for

BOOKS

The New York Times
This list is based on reports from more than 2,000 bods
irroughout the United States. Weeks on list are not not

this revolution, beginning with Kirov's mur-der, that created the Russia we know today. Few people know that Russia better than Adam Ulam, the director of Harvard's Russian Research Center. His historical writings are standard texts, but in "The Kirov Affair." he has written a novel that tries to imagine the whole dreadful business from the inside. Though the book occasionally has the air of a scholar putting his feet up, it is nonetheless a fascinating account of the evolution of Soviet power from Stalin's time to the present -

THE KIROV AFFAIR

San Diego, Calif. 92101.

Reviewed by Anthony Hyde

an assassination whose details, even today.

investigation - which he personally supervised — to launch the first of his great purges. Initially directed against old Bolshevik com-

rades, the purges ultimately spread to every sector of Soviet society. By the end, the revolu-tionary party of Lenin (and Leningrad) was transformed into the hureaucratized dictator-

ship of Moscow. In a fundamental sense, it is

detailed, realistic, convincing.

At the heart of the story is Mikhail Kondratiev, a Politburo member maneuvering to be-come general secretary of the Central Committee when the incumbent, a Brezhnev-like figure, finally dies. But old skelctons are rat-tling in his closet. As a young Komsomol member in Leningrad, he was one of the last people to see Kirov alive, and the secret he learned still haunts him. To make matters worse, an American academic — Professor Ulam indulging a fantasy? — has inadvertently

discovered the truth in an old archive, There are some fine passages here. Kondratiev's rationalization to himself of Stalin's brutality is entirely convincing, and Stalin himself is a gruesome delight, ruthless, petty, finally mad. People like Molotov and Khrushchev are captured in smaller portraits, but equally good. Having recommended the book in this way.

Solution to Previous Puzzle

comes, is simply not powerful enough, in e-fictional or historical terms. More imports By Adam Ulam. 404 pages. \$19.95. Harcourt Brace Jovanovich, 1250 Sixth Avenue, the novel suffers from a certain lack of pea tive. The story is told entirely from insig-structure of the Soviet establishment — K. linology, if you like. But how accurate a pic does this give us of power in the Sowiet Under this give us of power in the Sowiet Under this may be part of Ulam's public it means that his final question—Stalinism necessary?—is left dangling only one side of the story, we have no will judge. Still, Ulam knows how to tell a grip and powerful tale. LATE in 1934, Sergei Kirov, the head of the Communist Party in Leningrad, was shot dead by a young student, Leonid Nikolayev, in remain a mystery. Almost certainly, Stalin had a hand in it, and he used the subsequent

Anthony Hyde, the author of the navel!
Red Fox." wrote this for The Washington 1

BEST SELLERS

FICTION

ZOYA, by Danielle Sirel LOVE IN THE TIME OF CHOLERA, by Gabnel Garcia Marquet
THE ICARUS AGENDA, by Roben Lud. THE BONFIRE OF THE VANITIES, by TOM Wolfe
PEOPLE LIKE US, by Dominick Danne
CRIMSON JOY, by Robert B. Parker
ROCK STAR. by Jackie Collins
FREAKY DEAKY, by Elmore Leanord
TREASURE, by Clive Cussler
PRELUDE TO FOUNDATION, by Issae THE SHELL SEEKERS, by Rosemunde

Pilcher
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FOR THE RECORD, by Donald T. Repair.
A BRIEF HISTORY OF TIME, by Stephen W. Hawking
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l'iston.

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POWERS, by Paul Kennedy
WASHINGTON GOES TO WAR, by Devid Brinkley
THRIVING ON CHAOS, by Tom Peters
CHAOS, by James Gleick
A TRAIL OF MEMORIES, edited by An-A TRAIL OF MEMORIES, edited by Angelique I'Amour
1999, by Richard Nixon
FREUD, by Peter Gay
THE POWER GAME, by Medrick Smith
ROBERT KENNEDY: In His Own
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ADVICE, HOW-TO AND MISCELLANEOR THE 8—WEEK CHOLESTEROL CURE by Robert E. Kowsiski WEBSTER'S NINTH NEW COLLEGIA-TE DICTIONARY SWIM WITH THE SHARKS WITHOUT BEING EATEN ALIVE by Harry Markey Mackay WEBSTER'S NEW WORLD DICTIO-NARY YOUR DOCTOR DUNT WHAT YOUR DOCTOR DUNT LEARN IN MEDICAL SCHOOL, by Sm

BRIDGE

By Alan Truscott

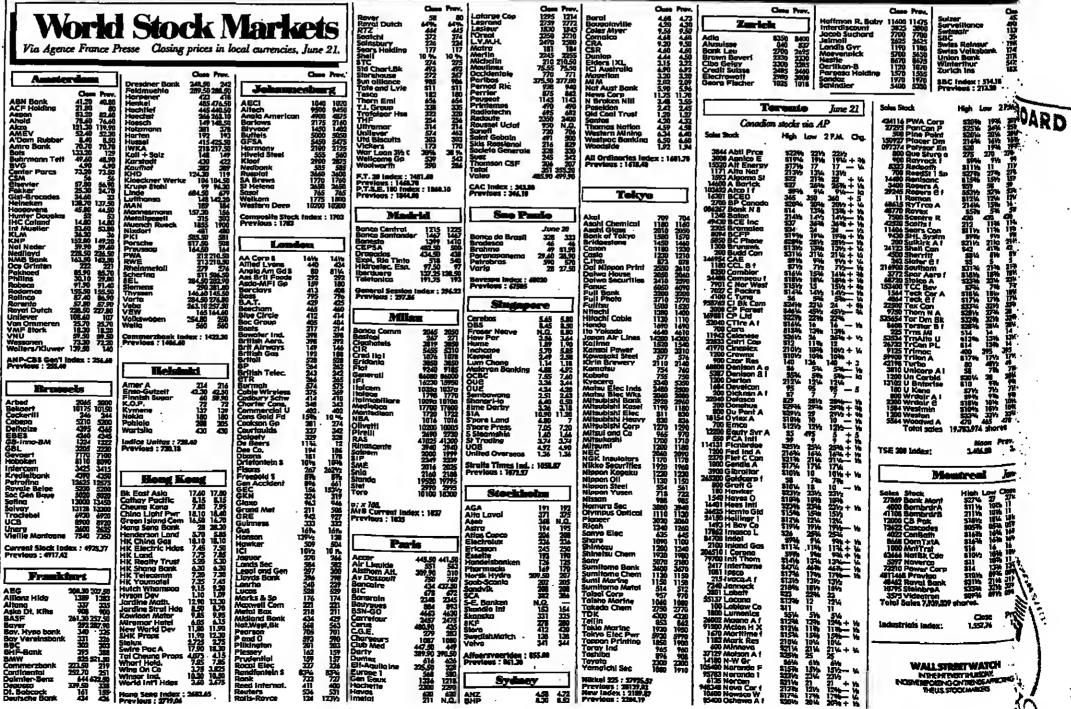
A partoership from the Philadelphia area headed the field of 84,000 pairs in the suit with internal solidity that the small bearts, one on an lished diamond and the Worldwide Epsoo contest held

tional mixed team title in 1969. and Barbara Norante of Renfrew, Pa. Their score of 76.29
percent narrowly defeated o
Russian partnership, Antijicin
and Antijicin, who had 75.92
percent. Third, with 75 percent, were a Peruvian pair,
Garcia and Lane. The fourthbest score worldwide was 74.96
percent by Roselyn and Saul
Teukolsky of Ithica, N.Y.
The best performance in the

The best performance in the New York metropolitan region trump, and South drew trumps was 73.21 hy Ron Gerard of White Plains, who had the make-or-break finesse. When

should generally be preferred. on the club acc. Horwitz and Norante made They are Jan Horwitz of the right choice on the diagramed deal, sitting North South. The three no-trump bid





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SPORTS

Iolland Gains Final, eating W. Germany

MBURG - A late goal by o van Basten on Tuesday sent Vetherlands into the final of r's European Championship a 2-1 triumph over West Gerr, ending a 14-year wait for ge for Rinus Michels, the h manager.

in Basten's strike in the 89th te settled a thrilling semifinal the sides had been deadlocked the sace

flowing a scoreless first half, ir Matthaus, the West Gercaptain, put his team ahead the penalty spot in the 54th

tch defender Frank Rijkaard ripped Jurgen Klinsmann just the area and although Fians arenkelen, the Dutch goalie, is fingertips to Matthaus's he could not stop it. e Dutch tied the score in the

minute on a penalty shot by a was judged to have brought a match seemed to be heading

stra time when Van Basten, had scored three goals previin the tournament, scored the with a minute remaining. Wouters threaded a pass

Van Basten, who missed a much easier chance near the end of the first half, rifled a low shot past Eike Immel, the West German goalie, from 12 meters (13 yards) out.

The result was the first Dutch victory over the West Germans

One of the ten losses since then was in the 1974 World Cup final in Munich when the West Germans triumphed, 2-1.

Michels was also the Dutch manager then. His current West German counterpart, Franz Becken-bauer, was the West German captain who lifted the trophy then.

The result also means the Dutch will return to Munich on Saturday to meet the winner of the other semifinal match between Italy and the Soviet Union on Wednesday in Stuttgart While the Dutch weaved nest

patterns across the field with their precision passing, the West Ger-mans matched them for sheer hard work, aggression and speed. Rund Gullit and Van Basten

were closely marked by Uli Borowka and Kohler but frequently escaped from their captors to cause havoc in the West German defense.





Martina Navratilova easily won her 42d straight match Thursday at Wimbledon; John McErroe, despite the grimace, won his first at the tournament since 1985.

McEnroe's Return a Triumph; Navratilova, Graf Win Easily

By John Feinstein

هكذاصن المرحل

LONDON - Three years later, Wimbledon's prodigal son reany doubt about the validity of the phrase "Absence makes the heart grow fonder," it evaporated at 2:59 P.M. Tuesday when John Patrick McEnroe formally came back to

Almost before he was out of the tunnel leading onto court No. 1, the cheering began. It did not really surprise McEnroe, but it certainly pleased him. As he and Horst Skoff walked onto the court for their first-round match, McEnroe responded to the welcome with an appreciative wave and something approaching a smile. Skoff smiled, too, as if he appreciated sharing the

But he did not share it for very long. Getting stronger as the match progressed, McEnroe quickly disosed of Skoff, 6-1, 7-5, 6-1, making his return here a successful one and sparking the notion - even in McEnroe — that at 29 he still has a lot of good tennis left in him.

The whole thing was nice."
McEnroe said after the 103-minute match. "The fans were nice and I felt pretty good out there. I got careless for a while in the second set, but then I got the momentum back and I was okay. It feels good to be here again. I just hope I can do well. This will be a very good

test for me."

The match was a highlight of a very busy second day at Wimbledon that was full of good tennis. Martina Navratilova and Steffi Graf were easy winners among the

The only men's seed to lose was Andrei Chesnokov of the Soviet Union, No. 14, who dropped a 7-5, 6-4, 6-4 decision to Udo Riglewski of West Germany. Given Chesnokov's dislike for this surface, though, the result was hardly stun-

The stunner of the day almost took place on court No. 13. No court on the grounds is further from the clubhonse and whenever Pam Shriver goes out there to play, she seems to think she should stay a while. In 1985, when Graf was only 16, Shriver occided three sets to beat her on that court.

Last year, she and Sylvia Hanika played a seemingly endless match there, Shriver saving two match points before winning 10-8 in the

Tuesday, Shriver trailed Dinky Van Rensburg 1-4, 30-40, in the third set and looked very much like she might be the first top player to lose here this year.

But Shriver dug in just in time, serve and a forehand volley and fought back to win the match, 6-2. 4-6, 8-6. It took a little more than two hours and Shriver wore a look of relief rather than joy when it was finally over.

It could hardly have been easier minotes to beat Ho Na of the Unit-Open final

Navratilova, starting her quest Goles, 6-1, 6-2.

The only seeded woman to exit Tuesday was 11th-seeded Claudia Kahde-Kilsch, who was forced to withdraw from the tournament with an injury. Gabriela Sabatini (No. 5), Helena Sukova (No. 6), Natalia Zvereva (No. 8), Hana Mandlikova (No. 9), Lori McNeil

dropping a set. There was one major surprise on the men's side, but it did not in-volve a seed. Kevin Curren, the man who beat McEnroe in 1985 in

his last appearance at Wimbledon and then went on to the final against Boris Becker, was beaten by qualifier Ricardo Acuna. The men's seeds, other than Chesnokov, all moved on, led by Mats Wilander (No. 2) an easy

straight-sets winner over Eduardo Masso and Jimmy Connors (No. 5) who, sore foot and all, beat Leit Shiras, a good grass court player, 6-3, 7-6 (7-4), 6-1. Two other seeds, Jonas B. Svens-

son, a French Open semifinalist, and Slobodan Zivojinovic also advanced with little trouble.



Curtis Strange, when he sank a birdie putt on the 13 hole, took a two shot-lead over England's Nick Faldo at The Country Club.

rookens' Homer Against Yanks Puts Tigers in First

riled by Our Staff From Dispatches TROIT - Tom Brookens some Detroit fans forget the Pistons and Isiah Thomas while Monday night when he nome run in the 10th inning to · Tigers into first place in the can League East with a 2-1 y over the New York Yankees. Yankees, who tied the score

wo out in the ninth, had led vision since May 3. an't say I ever hit a home run a game in the last inning Brookens said, "We had a hift lineup tonight, but it twe have depth on this club." Tigers played without either jured Alan Trammell or Chet n. But the Yankees were withmers Rickey Henderson, Wilndolph and Don Slaught.

o playing without my regular I baseman, my regular catchmy regular center fielder and still there," said their manag-ly Martin. "Twe got no com-

lier, Martin had his first runh the Yankees' new general ger, Bob Quinn, when he held :nt out of the lineup against

catcher, just off the 21-day ingfor batting practice that he series, they did so without their all- of their facilities. "They have a Jobst whether the Pistons won their first vouldn't have taken him off

." Martin said. "I don't take dy off until they tell me 100 percent. You can quote

Yankees had tied in the ninth ve Winfield's two-out double top of the fence in left. The nomed straight up off a pipe ick Clark, who had singled, as center fielder Gary Pettis for the ball to come down. Robinson, one out from his straight shutout, had his of scoreless innings ended at allowed eight hits and struck in nine innings. Tommy John p seven hits, walked one and out six in eight innings. Sox 14, Indians 7: In Cleve-

Mike Greenwell hit two s and Jim Rice and Ellis tach one as Boston handed Sunday night, Thomas, minus lians' ace, Greg Swindell, his straight loss. He allowed five the bed in his 10th-floor hotel on nine hits in 2% innings.

3 Jays 5, Orioles 2: In Toron-Jays 5. Orioles 2: In Toron-

to, Fred McGriff hit a two-run homer against Baltimore and Dave Stieb won his ninth straight.

Angels 6, Twins 5: In Minnespo-lis, Wally Joyner hit a three-run homer during a five-run eighth and California survived five errors to extend its winning streak to five, while ending the Twins' at five.
Athletics 5, Brewers 4: In Mil-

wankee two-out doubles in the ninth by Stan Javier and pinchhitter Terry Steinbach gave Oakland its victory.

Rangers 4, Mariners 3: In Arlington, Texas, Jeff Kunkel hit a tying homer against Seattle and doubled in the winning run with one out in the bottom of the ninth.

deciding game of the National Bas-

star point guard, Isiah Thomas.

on cruiches and accompanied by Mike Abdenour, the team's trainer,

and Ben Paolucci, its physician,

had gone to the Los Angeles Raid-

ers' training facility in El Segundo,

lar season, you'd say he would miss

half-shut. Those injuries came from the Lakers' Michael Cooper, who

had been guarding Thomas.

about six miles away.

Several hours before Thomas,

BASEBALL ROUNDUP

Jeff Russell, with a four-hitter, improved to 7-0 and tied Jim Kern's

team record for best start. White Sox 5, Royals 3: In Chicago, Steve Lyons's two-run homer with one out in the bottom of the ninth gave Kansas City its fourth

tional League, in San Francisco, singles in the third by Benito Santiago, Garry Templeton and Marvell Wynne — the only hits Mike La-Coss allowed in eight innings gave San Diego a 2-0 lead. Andy Hawkins beld the Giants

Pistons' Thomas Doubts He Can Play

Compiled by Our Staff From Disputches machine, an icing unit designed to badly after the injury, be still man-

INGLEWOOD, California. - reduce swelling. For some seven aged to make 11 more baskets,

As the Detroit Pistons practiced hours! Abdenour carefully re- many while favoring the ankle, and

football Raiders had offered the use

Later, Paolucci said that "the

swelling is down, but the ankle is

very sore." He added: "You know

"Imagine cutting a grapefruit in But Thomas, asked whether he half and sticking it made your anthought he would play, said, "I won one before."

kle; that's what it's like," Abdenour doubt it. Right now the decision To accomplish their feat, the

said of the right ankle the team's has just about been made. Most of Lakers would have to become the captain had sprained in the third the people who looked at it seem to first team in league history to take

Win or lose, for Thomas, who

the oext 10 days to two weeks easy." has gotten 128 points, 55 assists for them to beat the Utah Jazz in
After the game, Thomas also re- and 16 steals, this will be a long- the Western Conference semifinal

orived two stitches to close a cut on remembered series. First, a sore and the Dallas Mavericks in the

his cheek, and one of his eyes was back sidelined him for three prac- conference final.

some motion exercises going."

Isiah. He's going to play."

Monday at the Forum to get ready moved and re-inserted the ankle finished the game with 43 points.

for Tuesday night's seventh and into and out of the machine.

quarter of Sunday's loss to the Los think there will not be a chance f Angeles Lakers. "If it were the regu-

Injured Ankle May Keep All-Star Guard From Title Game

Padres 2, Giants 1: In the Na-

lieved with one out and runners on second and third in the eighth. Dady Maldonado. In the ninth, Davis the winning run against St. Louis in gave up an RBI single to Jose Uribe the eighth, helping the Expos end a but struck out Ernest Riles with two out and the bases loaded.

Pirates 8, Mets 5: In New York,

Reds 2, Astres 1: In Houston, Barry Larkin hit his first homer for Cincinnati, beating the Astros for the second time in five days.

Dodgers 7, Braves 3: In Los Angeles, Shawn Hillegas, summoned from Albuquerque of the Pacific Coast League, held Atlanta to three hits over seven inmines while the straight

. . . How well Thomas could play-

would have a major bearing on

"Nobody said winning a cham-

Asked if he had thought it would

be this difficult to win ooc, he re-

Lakers would have to become the

the title by winning three straight

seven-game series. It took the sev-

enth game home-court advantage

pionship would be easy," Thomas

had commented Sunday night.

Abdenour said that Monday the Tuesday night, and how much,

machine that is bigger and more NBA title or the Lakers became the

stable than the one I carry," he said. first team in 20 seasons to win

"After some icing, we'll try and get successive championships.

to six hits until Mark Davis re- Dodgers scored five runs on 10 hits in the first four innings. Expos 3, Cardinals 2: In Montrevis struck out Will Clark and Can- al, Andres Galarraga doubled home

pitcher Bobby Ojeda threw Jose Lind's bunt attempt into right field since May 5 and Tom Browning to allow two runs to score in the posted his fourth straight victory seventh, when Pittsburgh scored six times on eight singles. Onts 7, Phillies 2: In Philadel-

phia, Andre Dawson drove in two of four runs in the sixth and Shawon Dunston hit a two-run homer as Chicago won its fifth

Isiah Thomas: On crutches.

scorer, more involved in the of-fense. Dantley, who was double-teamed and constantly harassed meet in the final. Graf needed 46 Sunday, took only 10 shots; he made 3 and scored 14 points. In the ed States, 6-0, 6-0, winning her first two other series games in which match at Wimbledon by the same Dantley was held under 20 points, score that she won the French Dantley was held under 20 points, the Lakers also won.

A similar observation could be made about James Worthy, the for a seventh straight singles title, history was the third in the three Lakers' small forward, who has won her 42d straight Wimbledon Opens at The Country Club. In been matched against Dantley. In match, romping past Sabrioa each, the previous year's British the three games the Lakers lost, Worthy scored 19, 7 and 14 points; in the three theys won, he scored 26, 24 and 28

tices. Then his wife, Lynn, gave birth to their first son, Joshua Isiah Thomas. Finally, there were those years in the NBA: "It's the ultimate Could I see us winning it without 2, for her 87th victory. Isiah?" said the Pistons' coach. Chuck Daly, "I could see it being a very difficult problem for us just staying in the game." (NYT, WP, LAT)

Allison Badly Hurt In Crash at Pocono

ALLENTOWN, Pennsylvania Champion race car driver Bobby Allison was "semiconscious and responding to verbal commands" Monday after suffering a bruised heart and fractures in a crash at the Miller High Life 500 at Pocono

NASCAR spokesman Andy Hall said the 50-year-old driver from Huevtown, Alabama, remained in critical but stable condition at Lehigh Valley Hospital. He was unconscious for several hours following Sunday's crash.

Strange Beats Faldo By 4 in Open Playoff ever done." Strange said, "It was a

By Gordon S. White Jr. New York Times Service

BROOKLINE, Massachusetts - Curtis Strange, who never trailed Monday, beat Nick Faldo of England by four strokes in an -hole playoff for the 88th U.S. Open championship.

Englishman known as a plodder The 33-year-old Virginian scored par 71 on the 7,010-yard (6,402-meter) course at The Country Club, Faldo, 31, the 1987 British Open from a hunker for the 4 and Strange coming out of deep rough, then champion, shot 75. They had fin-ished the regulation 72 holes Sun-day tied at six-under 282. Both missed the green on the sec-ond hole. Strange blasted free of a bunker for his par-3 and Faldo chipped from the right collar for his.

As he walked off the 18th green Strange met his wife, Sarah, with a big hug, lifting her off the ground. Then, trying to keep back the tears, he said: "I have to thank my dad. This is for my dad. I've been waiting a long time to do this, I screwed up

the '85 Masters, and this is for Dad." Tom Strange, a golf professional, taught his son the game before dying of cancer when Curtis was 12. There

to welcome the new champion Mon-In finally winning one of golf's

four major professional championships, Strange gained his seventh victory in the last 11 months. It was also his third triumph in the last 80 days. Among his victories since last July were the Canadian Open, the Tuesday for Graf and Navratilova, World Series of Golf and the recent Memorial, all oo difficult courses. He also beat the man some believe to be the world's best golfer, Greg Norman of Australia, in a playoff at the Houston Open on April 1.

No other golfer playing the maior world circuits has woo so much in the last year. This 28th playoff in U.S. Open

Opens at The Country Club. In Goles, 6-1, 6-2.

Evert, playing her 100th singles Francis Ouimet Deat 102 May, and match at Wimbledon, beat French 1912 British champion, and Harry Vardon in 1913 and Julius Boros 1963 playoff by beating Open champion was a loser here as Francis Ouimet beat Ted Ray, the won the 1963 playoff by beating Arnold Palmer, the 1962 British champion, and Jackie Cupit. Ever since Strange lost the lead

by hitting two shots into water on the back nine at the end of the 1985 Masters, be has been suspected of being a man who falls short in the big ones. But Monday, he and (No. 10) and Larissa Savchenko Faldo were the only two left from (No. 13) all won, with only Sukova the field of 156 that started this Open last week. And unlike many previous Opens, two of the best in the game were in a playoff.

This is the greatest thing I have

and got two bogeys while Faldo bogeyed three of the last four holes. Said Strange: "We don't root against each other in golf, but 1 looked at Nick a couple of times and didn't want him to win."

heck of a tough day out there, and

after the 17th hole" Sunday, which

he had bogeyed to fall into a tie

that created the playoff, "I would have felt very bad if I didn't win."

It came down to an American

Each parred the first hole with

Then came the first break, when Strange scrambled out of deep

rough and two-putted from 30 feet

(9 meters) for par-4. Faldo drove the

fairway, but hit his approach into a

bunker. He couldn't get close and

They tied at No. 4 when Strange

got his lifst of three boreys. But

when be birdied No. 5 by hitting a

magnificent approach six feet from

the cup, he regained the lead and

never lost it. He increased it over

the testy back nine as he birdied 13

two-putted from 20 feet for bogey.

one putt. Faldo extricating himself

known for his intensity against an

who can make par after par.

chipping close for par.

Tyson Bout Set At 12 Rounds

The Associated Press TRENTON, New Jersey Next Monday's heavyweight title fight between Mike Tyson and Michael Spinks has been set at 12 rounds by the state of New Jersey, but the Interna-tional Boxing Federation said Tuesday it still would strip Tyson of its crown because he won't agree to a 15-round bout. The New Jersey State Athlet-

ic Control Board ruled Monday that the fight in Atlantic City will be 12 rounds, and criticized the IBF along with the World Boxing Association and World Boxing Council for squabbling over the length.

OREBOARD

FIRST ROUND

av Medir (96 Czect "Av Medr (94, Czechostovakia, def. Morano, Mexico, 7-4 (7-3), 7-4 (7-3), 7-6 (7-3), 8-6 (7-3), 8-6 (7-3), 8-7 land, del, Jerome Porist, Patrico. , 6-2; Jonas Svension (12), Sweden. Wilkism, U.S. 6-1, 7-6)8-6), 6-2.

9 Acuna, Chile, def. Kevin Curren. (7-4), 6-7 (5-7), 7-4 (1-2), 6-4; Menno Neithertonds. det. Carl Limberger. 7-5. 6-1. 6-2; Brentstev Stenkovic. ovskic.def. Todd Neison. U.S., 6-3, 2-4. hrts Pridhom, Conodo, det. Gustav. South Africo. 6-3, 6-4, 6-4; Maris Wi-3-5weten. det Estimate America. 1). Sweden, del. Eduardo Massa. Ar-i-3,6-4,7-6)7-4) ; David Pale. U.S., def.

Austrolia, 7-5, 7-6 (70-8), 6-3; Pleter

Pero, 6-7)5-7), 6-4, 6-4, 4-6, 6-2; Jimmy Conners 15), U.S., def. Lelf Shirax, U.S., 6-2, 7-4 (7-4), 6-1; Karel Novacek, Crechoslovakia, def. Peter Linderen, Sweden, 6-2, 6-4, 7-4 (7-3); Tore Metrocka, West Germany, def. Richard Will-Alejnecie, West Germony, del. Richard Whi-chello. Britain, 5-7, 7-6 (7-3), 7-5, 6-2. John Ross, U.S., del. Poulo Cone, Italy, 6-7 (3-7), 6-2 6-1, 3-4, 6-1; Glerin Alichibato, Canada, del. Andrew Costle, Britain, 6-6, 7-5, 6-4.

Women

Lori Mchell 118, U.S. del. Nicola Provis.
Australia, 6-3, 7-5; Eliv Holami. U.S., del.
Koffly Horvath, U.S., 6-4, Louise Field,
Australia, def. Evo Ploff, Wast Germany, 7-5,
6-3; Melissa Gurney, U.S., del. Artanda Grunfeld, Britoin, 6-4, 7-5; Catherine Tamier,
Franca, del. Por Medrado, Brazil, 6-3, 6-1;
Martine Neurotilova 12), U.S., def. Sobrina
Goles, Yuposalevia, 6-1, 6-2
Steffi Gral 11), West Germany, def. Hu No,
U.S., 6-0, 6-0; Svetiana Parkhemenka, Soviet
Unlondet. Jill Hetherinston, Conada, 6-6-4-6-2; Parn Steriver 13), U.S., def. Dinky Van Reneburp, South Africa, 4-2-4-8-4; Goffriels Sobotini (5), Argentina, def. Carline Sesses, Conada,
6-2, 4-2; Susan Shome, U.S., def. Teresa Catlin,
Britain, 6-3, 6-1; Karen Schimper, South Africa,
def. Karen Humer, Britoin, 6-3, 6-2,
Karlna Guentrec, Franca, def. Julie Halard,
Franca, 7-6 (7-3), 6-1; Lisa O'Nell, Australia,
def. Claudia Porvilk, West Germany, 7-6, 6-4;
Hester Witvoel, Netherlands, def, Michelle
Joppord, Australia, 6-2, 6-2; Massika Yanosi,
Jason, def. Barbarra Gerken, U.S., 6-4, 6-1;
Nofalla Zvereva (8), Soviet Union, def. Romi
Rets, U.S., 6-2, 6-3; Ann Herricksson, U.S., def.

Jenny Byrthé, Australia e-2 e-2 sientener Rethe, U.S., def. Christiane Jolissons, Switzerland, def. Lisa Gregory, Australia, e-7 (3-7), 6-6 e-8. Lisa Gregory, Australia, e-7 (3-7), 6-6 e-9. Lisa Gregory, Australia, e-7 (3-7), 6-6 e-9. Lisa Gregory, Australia, def. Amy Frazier, U.S., 7-5, 6-6; Hono Mendilikana 19), Cascheslaveskia, def. Loura Garrone, Italy, 6-3, 7-5; Gist Fernandez, U.S., de, 6. Brenda Schutz, Nelmerlands, 2-4, 6-4, 6-4; Eina Reimach, South Africa, def. Casorina Lindavist, Sweden, 7-6 17-3), 6-4; Ros Foltost, U.S., def. Mary Lou Daniets, U.S., 6-2, 6-4; Mory Jos Fernandez, (4-5), U.S., def. Ricole Josephan, Netherlands, 6-4, 1-2; Kairina Adjona, U.S., def. Valda Lake, Britain, 6-3, 2-2; Iva Budarova, Czechaslaveskia, def. Shoun Stottord, U.S., 7-6 (7-5), 6-3; Iwane Kuczynska, Peland, def. Betsy Napelsen, U.S., 5-7, 6-1, 6-3; Jo-Anne Faull, Australia, def. Maria Lindstron, Sweden, 7-6 (7-5), 6-3.

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(14),
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Detroit 618 998 900 1—2 S &
John, Guante (7) and Skirner; Robinson,
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AMERICAN LEAGUE

Section 965 683 336—14 21 g

Cleveland 801 149 596—7 13 1

Hurst, Loma (7) and Cerus; Swindell, Dedman 131, Schattarder 141 and Allaman, W

Hurst, F-1. L—Swindell, 18-6. HR—Baston,

HR—Callfornia, Joyner (4).

Eckersley 19) and Hossey, Steinbach 191; Hi-gorro, Crim (6), Plesac 19) and Surhoff, W.— Plunk, 5-1, L.—Crim, 0-4, Sv.—Eckersley (21).

Additional Leonard 127.

Seattle 200 299 198-3 4 1

Texas, 100 807 811-4 5 0

Lampston, Schooler 18) and Bradley; Russell and Stanley, W.-Russell, 7-0.L.—Schooler, 6-1. Hrg.—Scottle, Dovis (72). Texas, Kunkel (1), Stevro 111).

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New York 866 300 828-5 9 2 Leach (7), Wolter (7), Aguillera (8) and Cor

Mayer, Lancaster (7) and Davis; Rutins Harris (8), Macre (7) and Partish, W.—Mover, 47. L.—Rutin, 44. HRs—Chicago, Dunsten (7). Philodelphia, Partish (1). 900 BOS 812-3 19

Glovine, Elchelberser (J.), Price (7) and Benedic; Hillegas, Pana (9) and Demoser, W-Hillegas, 1-3, L.—Glovine, 3-5, Sv.—Pina (5), H.R.—Allanto, Gant (7),

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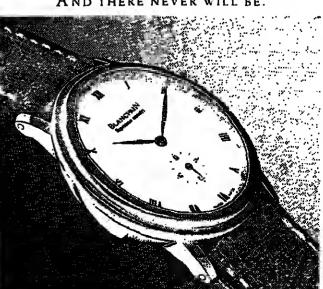
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OBSERVER

Hang the Drug Users

By Russell Baker N EW YORK — The intracta-ble nature of our narcotics can have no deterrent effect on problem may be gauged from the absurdity of the ideas being ad-

vanced to end it. The Congress is naturally enthusiastic about the death penalty. In election years, the death penalty is always a big favorite among office seekers. Years ago when New York City was in a terrible financial pickle, Ed Koch campaigned for mayor by endorsing the death pen-

alty, among other things. How this might refill the city's empty treasury was unclear. Did Koch intend to execute all those New Yorkers who were swindling the city out of its tax income by claiming residence in their Long Island summer houses? Nobody ever asked because Koch was obviously just grandstanding with the ever popular death-penalty solution. Didn't everybody know that? Didn't everybody know the mayor of New York had nothing to do vith death warrants?

How the death penalty might end the country's extensive drug addiction is no clearer, but as Koch's campaign proved again, it doesn't hurt a politician to talk as ferociously as an Old Testament prophet, and the voters seem to like it, and anyhow, nobody else has any idea either how to solve the narcotics problem.

Why the death-penalty solution doesn't solve anything is an inter-esting question. People who believe in it despite its unimpressive per-formance say it's because it isn't applied freely enough. I suggest, on the other hand, that it doesn't work because it isn't applied to the right

people.

If Koch had actually started hanging the city's tax evaders who claimed residence on Long Island, the city's revenue would surely have jumped immediately. Why? Because people canny enough to those monstrous drugs up our work a tax dodge are too smart to keep at it once they see that it may be the death of them, Better taxed

than dead. The death penalty is never applied, however, to people whose punishment might produce whole-some civic effect. Those commonly executed are violent, uneducated psychopaths whose crimes hint at insanity and/or profound stupid-ity. Such people are incapable of drawing sensible conclusions from

Most drug criminals are in this benighted category. Theirs is the mentality that sees the execution of another criminal as a happy opportunity to take over his business.

The only way the death penalty might possibly help end the ro-mance with narcotics is by applying it to the people who use the stuff. Everyone is tired of hearing that the cause of America's drug problem is the American consumer. The most tiresome truths are always the ones we'd rather not hear. Still, until the big, rich American market loses its taste for drugs, there will always be psychopaths who are eager to exploit that mar-

normai people. In short, hanging the suppliers can do nothing to break the addiction. Hanging the users just might since most people who use the stuff are more rational than the warped personalities who supply it. Deterrence can work only if the people to be deterred have good sense.

ket and numb to risks that deter

I callously propose the death penalty for users only because I am confident it absolutely never, under any circumstances, will be adopted. The reason is the same reason that drunks caught driving are never sent to jail until they kill.

As with drunk driving, nobody really wants to strike at the party creating the drug problem. It might be your neighbor, your child, your-self. Better to finesse the question of responsibility, cluck about the horror of it all, and blame it on the incorrigible Latino black hats.

So let's all talk nonsense, and while we're at it, let's hang the black hats, too. Coming up here from Latin America and forcing noses, into our veins, down our

gullets — rope is too good for them. Shabby? Phony? Sure, but what do you expect? When there's nothing you can do about a problem except wish it didn't exist and bope it'll just go away one of these days, you've still got to get re-elected. don't you?

Hey! Let's use the armyl Let's defoliate Perul This is serious! It's re-election time! New York Times Service

Calypso: 'It's an Educational Thing'

By Mike Zwerin International Herald Tribune

PARIS — Meet Mighty Sparrow, King of Kings.

He follows a long and distinguished line of royalty including Lord Kitchener, Mighty Terror, Lord Hannibal, Lord Melody, King Fighter and Attila the Hun. But there was no red carpet or 21-gun salute when His Calypsonian Highness arrived for his first appearance in Paris earlier this

And forget the Crillon or the Ritz. He was checked into a pale pile of concrete cells on the wrong side of the beltway. His house has not traveled well.

But he holds his head high with the pride

of someone who must earn the right to rule a meritocracy. He had successfully defended his own crown against all comers a week earlier, on May 28. He smiles like someone who wears a crown studded with smiles: "Now I send all them others back to the drawing boards to see if they can catch me next time around,"

Every three years, calypso singers get together in their native Trinidad and Tobago to prove supremacy among themselves and the audience. They compete in song-writing interpretation, presentation, rele-vancy, improvisation. They are whittled down from more than 100 and then the king of kings is crowned, in what's known

as a "cutting session." The Roaring Lion traces calypso's roots back to the 15th-century French poet and balladeer François Villon. Eric Williams, prime minister of Trinidad and Tobago from 1961 to 1981, described it as "the use of song to comment on current happen-ings, to phrase social criticism, to convey innuendo." When V.S. Naipaul wrote, "It is only in the calypso that the Trinidadian touches reality," he was trying to correct the impression that his people escape reali-ty through carnival and calypso.

Once upon a time when there were no ghetto-blasters or satellite dishes and only the rich were taught to read, calypso was the vehicle to get the news of the people to the people of Trinidad. Calypsonians served the same function as African griots and European troubadours, carrying news from village to village through song and verse. "The Calypsonian would delve into the happenings of society," says Sparrow,
"He would recount good deeds, tell what the evil people were doing, what the big shots were up to."

Mighty Sparrow claims to have been born Slinger Francisco, which sounds too good to be true, like a double Calypsonian twist. But don't forget be is King of Kings,



Mighty Sparrow in concert: "We get our names pretty much like wrestlers."

ryteller with a Caribbean lilt, cultured, po- too. But at the same time I'm not forgetting litical awareness, sense of irony and

instinct for rhyme:

"But you journalists have put us storytellers out of business," Mighty Sparrow
complains. "You have the media, you don't have to worry about singing and rhyming, you are everywhere. We can no longer get peoples' attention. Calypso cannot be enjoyed properly if you don't pay close attention. We used to extempo [improvise], it was a highly developed form. But now I sit here and say, 'The gentleman with the hand on his face, this is what I'm tellin' you in this place, I've been lookin' at you all the while, and I love the way you flash your smile, and you're looking out of the corner of your eye at that screen over there watching John McEnroe behave badly on the

"People don't want stories any more, popular music is all about rhythm. They listen to those pretty rock boys sing 'Hey baby, oh my baby' and shake their butts. So the young Calypsonians in the Caribbean started to compete, playing for dancing more than mere embodiment. In any case, in his presence, you never doubt his creSoca is calypso combined with soul music. dentials - African ancestry, a natural sto- I modernized, I sing with an electric band,

INTERNATIONAL CLASSIFIED

lyrical value. It's always been an educational thing. Calypso was never meant to be only entertainment. Somehow I feel very uncomfortable when I don't have a sage to give the people."

ample. When the University of the West I wanna bite them young ladies, pardner Indies awarded him an honorary doctor
ale, he says he felt "very proud." But then

But if you're skinny don't be in fright.

But if you're skinny don't be in fright.

There's only fat women I'm gonna bite flashing their medals and pompous people treasuring important titles.

He then wrote a song "with a little bu-mor in it" which for some reason he could never fathom was also banned: "It was about a woman hypochondriac who keeps coming to me, she thinks I'm a gynecologist. I tell her I'm not that kind of doctor. She keeps crying about all sorts of imagined illnesses. She says 'Dr. this, Dr. that.'

Brown. I was skinny then, that was 34 years ago, so people took to calling me Little Sparrow. Everybody else had these ferogoned illnesses. She says 'Dr. this, Dr. that.' She wants a hysterectomy, a mastectomy and even a hemorrhoidectomy. So there I was just trying to live life with a light heart and they banned that." kill me. So I figured if I had to be stack with Sparrow I was some to be a Mighty

This is a good place to point out that. Sparrow,"...

because "that's where the management is," and that Lord Kitchener lived in London for something like 17 years. Still, discounting some discountable Andrews Sisters ("Rum and Coca Cola") and Harry Bela-fonte spin-offs, the Calypsonian message has not spread like reggae.

"Calypso is still identified almost exchusively with the land of its birth," explains Sparrow. "Though it has spread around to other Caribbean islands [after the American invasion, Sparrow sang, I want to go back to Grenada, to teach the Cubans how to fight", it never got a Jamaican identity. They had their blue beat, they had ska, they had rock steady. None of them held on. So when they found reggae, every Inmatent became an unofficial ambassador. They had good organization and they put big money behind it. The people from Calyp-soland had been blessed with image of their own for 100 years. They took it for granted. They saw no reason to be over-protective. They jumped on the reggae bandwagon

Like calypso, reggae has a message but tends to hit you on the head with it —
"Legalize it." "Blow It Up." On the other hand Invader — one of Sparrow's prime influences — wrote a song about how U.S. soldiers stationed on Trinidad during World War II lured their women away with shiny things; about a man whose lady would dress up to kill in the evening kiss him on the cheek before leaving and say: Til be back in the morning. And Spoiler turned the metaphysical

into a bedroom farce: "I heard when you die after burial. You have to come back as an insect or an

animal Awkward messages from Mighty Spar-row have been banned by Trinidadian ra-dio and television — "Capitalism Gone Mad" and "Invade South Africa," for ex-But not me, I want to be a bedbug. Well if it's so I don't want to be a monkey, Brother say he want to come back as a hog: There's only fat women I'm gonna bite." Which brings up a final question. How can a sparrow be "Mighty"

"We get our names as we go along, pretty much like wrestlers. When I first-started I used to jump around the stage a lot, like James Brown but before James cious names — Executor, Panther, The Intruder, And there I was this little sparrow in between them. They were going to with Sparrow I was going to be a Mighty

PEOPLE

American Will Become Balliol College Master

Barisch Humberg, a Nobel Prize-winning professor of medicine and anthropology at the University of Pennsylvania, will become misster of Balliol College at Onford University. Blumberg, received a doctorate in biochemistry in 1955 from Balliol and taught there as a visiting professor in 1983-4. In 1976, he was a Nobel Prize in physiology and medicine for his work on serious and medicine for his work on serum heparitus. Blumberg will take over the post next year when the present master, Anthony Kenny, steps down, said a Balliol official. Americans currently are masters of three of Oxford's other 34 colleges.

An American scholar says that an unsigned and untitled story written in 1857 and published in nal edited by Charles Dicke nine years, was written by Dicken himself. Professor Harry Stone o California State University a Northridge says the story, which he has named "The Bride's Cham ber," is important because it shows how Dickens put the most intimafacts of his own life into the lives of his fictional characters. Letters from Dickens and other contemporary evidence helped him reach the conclusion that Dickens wrote the story. Stone said. "The story re-veals a great deal about Dickens's extramarital yearning." Stone said "in particular how he fell head over heels in love with an 18-year-old actress, Ellen Lawless Ternan, who retired from the stage two years later and who remained his mis-tress until his death. In the story, the name Ellen is used for the character of the young woman. _ D -A British businessman in New

York has given \$6.5 million to bu American art for the Tate Galler in London. The anonymous gif will be invested and the incom used for purchasing, according to Sir Alan Bowness, director of the Tate, which has the most important collection of American 20th-century art of any museum outside the United States, including major works by Jackson Pollock, Mark Rothko, Willem de Kooning, Bar-nett Newman, Andy Warbol and Roy Lichtenstein. "We have a good collection of American abstract expressionism but we have nothing by Edward Hopper or Georgia-O'Keele, for instance," said Bow-

PERSONAL MESSAGES

MAY THE SACRED HEART OF JESUS MAY THE SACKED HEART OF JESUS be adored, glanfied, lowed and pre-served throughout the world, now and forever. Sourced Heart of Jesus, pray for us. Sourt Jude, worker at mercles, pray for us. Sourt Jude help of the hopeless, pray for us. Ameri. Say this prayer 9 hones a day by the 9th day your prayer will be answered. It has never been known to fall, Publi-cation must be promised. K.S. MAY THE SACRED HEART OF JESUS be glorifd, loved and preserved throughout the world now and forev-

SPION. Windsurfing lough for left broin, but fun. Lost Nortolk phone number, Thriving, but miss you. PILZ

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